REFERENCE OF EXECUTIVE MESSAGES

The PRESIDING OFFICER. The Chair refers to the appropriate committees sundry Executive messages received from the President of the United States.

RECESS

Mr. SMOOT. I move that the Senate take a recess until 12 o'clock noon to-morrow.

The motion was agreed to; and (at 5 o'clock and 22 minutes p. m.) the Senate took a recess until to-morrow, Saturday, September 21, 1929, at 12 o'clock meridian.

NOMINATIONS

Executive nominations received by the Senate September 20 (legislative day of September 9), 1929

PUBLIC HEALTH SERVICE

Asst. Surg. James B. Ryon to be passed assistant surgeon in the Public Health Service, to rank as such from October 14, 1929. (Doctor Ryon has passed the examination required by law and the regulations of the service.)

TO BE CHIEF OF THE MILITIA BUREAU

Brig. Gen. William Graham Everson, National Guard of Indiana, Brigadier General Reserve Corps, to be Chief of the Militia Bureau of the War Department with the rank of major general from June 29, 1929, for a period of four years from date of acceptance, vice Maj. Gen. Creed C. Hammond, Chief of the Militia Bureau, whose term of office expired June 28, 1929.

APPOINTMENT, BY TRANSFER, IN THE ARMY

TO ADJUTANT GENERAL'S DEPARTMENT

Capt. Cheney Litton Bertholf, Infantry (detailed in Adjutant General's Department), with rank from July 1, 1920.

PROMOTIONS IN THE ARMY

To be colonels

Lieut. Col. Arthur Poillon, Cavalry, from September 11, 1929.

Lieut. Col. Francis Wiley Glover, Cavalry, from September 14, 1929.

Lieut. Col. Alexander Bacon Coxe, Cavalry, from September 15, 1929.

Lieut. Col. Timothy Michael Coughlan, Cavalry, from September 16, 1929.

Lieut. Col. Leonard Lyon Deitrick, Quartermaster Corps, from September 16, 1929.

To be lieutenant colonels

Maj. Clarence Andrew Mitchell, The Adjutant General's Department, from September 11, 1929.

Maj. John Roy Starkey, Field Artillery, from September 14, 1929.

Maj. Joseph Edward Barzynski, Quartermaster Corps, from September 15, 1929.

Maj. Bloxham Ward, Infantry, from September 16, 1929.

Maj. Thomas Hixon Lowe, The Adjutant General's Department, from September 16, 1929.

To be majors

Capt. Robert Washington Brown, Infantry, from September 11, 1929.

Capt. Charles Lowndes Steel, Infantry, from September 14, 1929.

Capt. Manuel Benigno Navas, Infantry, from September 16, 1929.

Capt. Enrique Manuel Benitez, Coast Artillery Corps, from September 16, 1929.

DENTAL CORPS

To be majors

Capt. Roy Albert Stout, Dental Corps, from September 12, 1929.

Capt. Roy L. Bodine, Dental Corps, from September 13, 1929.

Capt. Fernando Emilio Rodriguez, Dental Corps, from September 14, 1929.

Capt. James Jay Weeks, Dental Corps, from September 15, 1929.

Capt. Thomas Joseph Cassidy, Dental Corps, from September 17, 1929.

Capt. Wayne W. Woolley, Dental Corps, from September 17, 1929.

Capt. Howard Austin Hale, Dental Corps, from September 18, 1929.

PROMOTION IN THE PHILIPPINE SCOUTS

To be major

Capt. James Cadmus McGovern, Philippine Scouts, from September 15, 1929.

SENATE

SATURDAY, *September 21, 1929*

(Legislative day of Monday, September 9, 1929)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

Mr. JONES. Mr. President, I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Allen	Fletcher	Jones	Sackett
Ashurst	Frazier	Kean	Schall
Barkley	George	Kendrick	Sheppard
Black	Gillett	Keyes	Shortridge
Blaine	Glenn	La Follette	Simmons
Blease	Goff	McKellar	Smoot
Borah	Goldsborough	McMaster	Steck
Bratton	Gould	McNary	Steiwer
Brock	Greene	Metcalf	Swanson
Brookhart	Hale	Norris	Thomas, Idaho
Broussard	Harris	Nye	Thomas, Okla.
Capper	Harrison	Oddie	Vandenberg
Caraway	Hastings	Overman	Walsh, Mass.
Connally	Hatfield	Patterson	Walsh, Mont.
Couzens	Hayden	Phipps	Warren
Cutting	Hebert	Pine	Waterman
Deneen	Heflin	Ransdell	Watson
Dill	Howell	Reed	
Fess	Johnson	Robinson, Ark.	

Mr. FESS. My colleague [Mr. BURTON] is detained from the Senate by illness. I will allow this statement to stand for the day.

Mr. SCHALL. My colleague the senior Senator from Minnesota [Mr. SHIPSTEAD] is still ill. This announcement will stand for the day.

Mr. HARRISON. I desire to announce that the Senator from Mississippi [Mr. STEPHENS] is necessarily detained from the Senate by illness in his family. I will let this announcement stand for the day.

Mr. FLETCHER. I wish to announce that the Senator from Florida [Mr. TRAMMELL] is necessarily detained from the Senate by illness. I will let this announcement stand for the day.

Mr. SHEPPARD. I desire to announce that the Senator from South Carolina [Mr. SMITH] is necessarily detained from the Senate by illness in his family. I will let this announcement stand for the day.

Mr. GEORGE. I wish to announce that the Senator from Utah [Mr. KING] is necessarily detained from the Senate by illness. I will let this announcement stand for the day.

The VICE PRESIDENT. Seventy-four Senators have answered to their names. A quorum is present.

ORDER FOR RECESS—BUSINESS OF THE SESSION

Mr. DILL obtained the floor.

Mr. WATSON. Mr. President, will the Senator yield?

The VICE PRESIDENT. Does the Senator from Washington yield to the Senator from Indiana?

Mr. DILL. I yield.

Mr. WATSON. I ask unanimous consent that when the Senate concludes its business to-day it shall take a recess until 11 o'clock next Monday morning.

The VICE PRESIDENT. Is there objection?

Mr. HEFLIN. Mr. President, I suggest to the Senator from Indiana that we ought to meet at 10 o'clock each morning instead of 11.

Mr. SMOOT. We would be glad to do so.

Mr. HEFLIN. We could then have about seven hours a day in which to work out the legislation before us.

Mr. BLAINE. Mr. President, reserving the right to object, I think that some consideration should be given to the proposal of the Senator from Indiana. I suggest that when we come to a consideration of the schedules relating to rates of duty the Members of the Senate ought to have some opportunity to study and investigate not only the amendments proposed by the Finance Committee but the entire tariff bill. The committee have not furnished any report which divulges any information or facts in relation to their conclusions. The Tariff Commission in its summary has given little assistance to the Congress in its deliberations upon the bill.

I am perfectly willing to try the plan of holding sessions from 11 o'clock in the morning until a reasonable hour in the afternoon, but I am unwilling to give unanimous consent until

we have some assurance as to what the program may be. The tariff is an intricate problem. A bill is handed to us which consists of hundreds of pages, many hundreds of paragraphs, and many thousands of items. It is utterly impossible for Members to attend the sessions of the Senate long hours during the day and then have the session continue into the night and still have any time left for the preparation of amendments and the gathering of the necessary material and information and facts in support of the proposed amendments.

I understand, and it is generally understood, that the majority membership of the committee do not propose to enter upon any extensive debate on the bill, and that suggestion or intimation is justified in the face of the fact that the majority members of the committee in reporting the bill did not furnish the Senate with any information supporting their proposed changes in the law. They merely furnish a statement of their conclusions. If that situation is to obtain in the consideration of the tariff bill, I can very readily see how the majority membership of the Finance Committee may grind down the physical endurance of Members of the Senate.

I want to serve notice now that if the screws are put on a little too tightly, if it is proposed to drive the tariff bill through without adequate and full consideration, I think there are sufficient Members of the Senate who are willing to undertake a debate to the extent that the measure will not pass until that full consideration is given, even at the expense of being charged with filibustering. There are times when filibustering is justifiable. There have been times in the history of our Nation when filibustering was justifiable. There have been instances in our national history when a filibuster saved the Nation and saved the vital interests of the people of this country. Under those considerations Members of the Senate, who do not propose to be hog-tied and bound, will be justified in initiating a program here that will compel a complete and full discussion of this proposed tariff measure.

I have no objection, Mr. President, to undertaking, as an experiment, beginning the sessions at 11 o'clock in the morning, with a recess or an adjournment at some reasonable hour, not later than 6 o'clock, at least for the present, and ascertain how that plan may work out. I have no disposition to obstruct the passage of a tariff measure; I have no disposition unduly or unreasonably to delay the passage of a tariff measure. Personally, I am very anxious that this measure be disposed of at the earliest possible time, consistent, however, with due regard for the public's interest; and I propose to follow in that path. If we can have some assurance along the line I have suggested, then I shall make no objection to the request of the Senator from Indiana; otherwise I shall be impelled to object.

Mr. HARRISON. Mr. President——

The VICE PRESIDENT. Does the Senator from Indiana yield to the Senator from Mississippi?

Mr. WATSON. So far as I can do so, but I have not the floor.

Mr. DILL. I yield to the Senator.

Mr. HARRISON. I understand the request of the Senator from Indiana is that the Senate shall meet at 11 o'clock?

Mr. WATSON. Yes.

Mr. HARRISON. He has, however, said nothing about adjourning or taking a recess at 6 o'clock in the afternoon.

Mr. WATSON. I have said nothing on that subject. That is a matter of which the Senate has control.

Mr. HARRISON. I hope the request will be granted, Mr. President. So far the majority have been quite considerate in the conduct of the debate on this bill. I do not recall an instance when the debate has been so confined to a measure as it has in the consideration of the pending tariff bill. I think there would be objection, however, to trying to meet at 10 o'clock, because naturally, in the discussion of a bill like this, we must study every paragraph as we go along, and we must, therefore, have some time at least to confer with experts, to read further the hearings on the measure, and to study the propositions involved. I think, however, that it is pretty generally agreed that the Senate should meet at 11 o'clock, because we do not want to throw any obstructions in the way of reasonable debate, and the consideration of the bill would be expedited under those conditions.

Mr. WATSON. I thank the Senator from Mississippi. Do I understand the Senator from Wisconsin to object to the Senate meeting at 11 o'clock?

Mr. BLAINE. As I have stated, I have no objection to the Senate meeting at 11 o'clock, but I should like to have some assurance from the Senator from Indiana as to what program may be contemplated with reference to the continuation of the sessions beyond the ordinary hour between 5 and 6 o'clock in the afternoon. I know the Senator can not give any absolute guaranty as to that, but, at least, he can give us some assurance, and I feel quite willing to accept his suggestions and assurances along that line, without any formal agreement on the part of the Senate.

Mr. BRATTON. Mr. President, will the Senator from Washington yield to me?

Mr. DILL. I yield.

Mr. BRATTON. I should like to ask the leader of the majority what are his plans with reference to a morning hour? I am perfectly willing that the Senate shall meet at 11 o'clock in the morning, or earlier, if necessary, but there are some other matters pending aside from the tariff bill in which some of us are interested. I have particular reference to a resolution to provide an investigation into certain features of interstate air commerce. That resolution is lying on the table at the present time, and under the parliamentary situation it can not be considered until we shall have a morning hour. I think the resolution is of sufficient importance for me to ask the leader of the majority when he contemplates giving us a morning hour?

Mr. WATSON. Mr. President, replying to my friend the Senator from New Mexico [Mr. BRATTON], and also making response to the Senator from Wisconsin [Mr. BLAINE], I wish to say that the majority members of the Finance Committee have tried to be just as kind and considerate in dealing with the minority as was possible under the conditions. The majority of the Finance Committee finished the consideration of the schedules of the bill on the 19th of August. We immediately turned them over to the minority members of the committee and they had them for over two weeks before the Senate met other than in a formal way. The administrative features were turned over to them a week later. Then, upon the suggestion of the Senator from North Carolina [Mr. SIMMONS], we adjourned over until the following Monday, so as to give the minority members of the Committee on Finance five additional days for the consideration of the provisions of the bill. Since that time the discussion has proceeded, and I think entirely in order. In my judgment, we have had up to this time a perfectly legitimate debate, and I see nothing now in the offing to excite me about there being anything other than a legitimate debate in the days to come.

However, I wish to say to my friend from Wisconsin that I have sat for a long time in the House of Representatives and the Senate and have participated in the consideration of many tariff bills, and I have never known any tariff bill to pass or to be really considered by either body unless there was a meeting early in the morning, a meeting at night, and sometimes I have sat all night in the consideration of tariff bills. I do not think there is any necessity for any such procedure at this time; I know of no movement—in fact, the matter has not been discussed among us—I know of no movement whatever to hold the Senate here after 6 o'clock in the evening. I do not know how on earth we could do so unless we should put each Senator into a locker and lock him up, for when the time comes that Senators want to go home, they go; and yet there is a general disposition to remain here long enough daily to thresh out the pending tariff bill. The very thing which my friend desires is the thing we are trying to do; that is, to bring about ample discussion of the bill. Certainly Senators will have ample time to consider the bill before 10 o'clock in the morning and at their homes or at their offices at night; in fact, that is when the very best study is done, when we are not disturbed by any extraneous matters and are in the quietude of our own homes.

Mr. SIMMONS. Mr. President——

The VICE PRESIDENT. Does the Senator from Indiana yield to the Senator from North Carolina?

Mr. WATSON. I should like first to answer the Senator from New Mexico. Of course, when we get into a tariff discussion it becomes so intense in a way and the momentum is so great that naturally we want to go right on with the bill. Yet I am aware of the fact that before very long there must be a morning hour in order to consider other matters of consequence and important questions in which individual Senators have great interest. I can not fix a time now when there will be a morning hour, but evidently we shall have a morning hour at a very early date, I will say to my friend from New Mexico.

Mr. BRATTON. Mr. President, with the indulgence of the Senator from Washington [Mr. DILL], let me say that it is not my desire to divert attention unduly from the tariff bill; I have no such thought in mind. The thought I do have in mind is that a reasonable time at a reasonably early date should be afforded when some other matters may be considered by the Senate during the morning hour. With the statement of the Senator from Indiana I am perfectly satisfied, and I shall not press the matter further at this time.

Mr. SIMMONS. Mr. President——

The VICE PRESIDENT. The Senator from Washington has the floor. Does he yield to the Senator from North Carolina?

Mr. DILL. I yield.

Mr. SIMMONS. Mr. President, I wish to say to the very able and courteous leader of the majority that the minority have no disposition whatever to criticize the course which has been pursued by the majority up to this time. They have been very courteous and very accommodating to those of us on this side of the Chamber; but, Mr. President, if we should start at an unusually early hour in the morning and at the same time run our sessions late into the night, as has been indicated would probably be required by the majority at a later period, there would be no time left to Members of the Senate for a proper investigation of the schedules and paragraphs and items as we reach them in the bill.

I have no objection in the world to meeting at 11 o'clock; I am perfectly willing to do anything to aid the majority, as I think this side of the Chamber is willing to do anything to aid the majority, in expediting the pending legislation. We on this side of the Chamber have no disposition, no purpose, no intent now or at any time to ask for anything more than fair discussion of the various and sundry propositions involved in this debate. But, Mr. President, the Senator knows through his long experience in the two bodies of Congress that in the case of tariff bills we do not begin—certainly those who are not members of the committee do not begin—an intensive study and investigation of many of the important items of the bill until those items are reached. It is almost impossible for a Senator, with all the other labors and duties which devolve upon him, to undertake to study carefully and prepare himself adequately to discuss the various schedules that are in this bill all at one time. So it has been our practice, I think, to wait until the schedules are reached. When an item of great importance arises then we give intensive study and close preparation for the enlightened discussion of that particular item. That takes time, and unless we can have some time in the morning or some time after we adjourn in the evening to prepare ourselves upon the various schedules when we reach them, while we will have ample opportunity for debate, we will not have ample opportunity to prepare for debate.

My observation has been that almost every Senator speaks more briefly and more concretely when he is thoroughly familiar with a subject than he does when he is not thoroughly familiar with it. So I think the Senator should not combine the two propositions of an earlier hour of meeting and a late hour of adjournment, because I think that would probably leave us no adequate time for preparation. I do not know that the Senator has that in mind.

Mr. WATSON. No.

Mr. SIMMONS. I understand he does not propose that now?

Mr. WATSON. Not at all.

Mr. SIMMONS. But I have seen in the newspapers the statement that we would meet at 11 o'clock for a while, and then we would hold long night sessions. I hope that is not true.

Mr. WATSON. "Sufficient unto the day is the evil thereof." We will meet each day's problems as we confront them.

The VICE PRESIDENT. Is there objection to the request of the Senator from Indiana?

Mr. BROOKHART. Mr. President, I should like to inquire as to the parliamentary situation. If the request for unanimous consent should be granted, could it be changed by a motion on a majority vote at any time?

Mr. WATSON. It could not.

Mr. BROOKHART. I think the Senate ought to retain control by a majority vote of its proceedings.

Mr. WATSON. It could not be changed between now and next Monday, I will say to the Senator. The request applies to Monday only, and then it must be taken up each day for consideration. I am now merely asking unanimous consent that when the Senate concludes its business to-day it shall take a recess until Monday next at 11 o'clock.

Mr. BROOKHART. I understood that it was a permanent arrangement which was proposed.

Mr. WATSON. Oh, no; not at all.

The VICE PRESIDENT. Is there objection? The Chair hears none, and it is so ordered.

Mr. SMOOT. Mr. President——

The VICE PRESIDENT. Does the Senator from Washington yield to the Senator from Utah?

Mr. DILL. I desire to discuss another subject.

Mr. SMOOT. It will not take me two minutes to present what I desire to present.

Mr. DILL. Very well; I yield to the Senator.

REVISION OF THE TARIFF

The Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 2667) to provide revenue, to regulate commerce with foreign countries, to encourage the industries of the United States, to protect American labor, and for other purposes.

Mr. SMOOT. I ask unanimous consent that the names submitted by the Senator from Massachusetts [Mr. WALSH] to the Finance Committee for the production of income-tax returns be printed in the RECORD.

The VICE PRESIDENT. Without objection, it is so ordered.

The matter referred to is as follows:

REQUESTS MADE BY MINORITY MEMBER OF SENATE FINANCE COMMITTEE, SENATOR WALSH OF MASSACHUSETTS, FOR INCOME-TAX RETURNS UNDER SENATE RESOLUTION 108

(Released by Hon. REED SMOOT, chairman, September 21, 1929)

Cornell Wood Products Co., Cornell, Wis.
West Oregon Lumber Co., Portland, Oreg. (Linton).
Silver Falls Lumber Co., Silverton, Oreg.
Lamm Lumber Co., Modoc Point, Oreg.
Forest Lumber Co., Pine Ridge, Oreg.
Anderson-Middleton Lumber Co., Cottage Grove, Oreg.
Booth-Kelly Lumber Co., Eugene, Oreg.
Inman-Poulsen Lumber Co., Portland, Oreg.
Eastern & Western Lumber Co., Portland, Oreg.
Crossett-Western Lumber Co., Wauna, Oreg.
Shevlin-Hixon Co., Bend, Oreg.
Brooks-Scanlon Lumber Co., Bend, Oreg.
Ewauna Box Co., Klamath Falls, Oreg.
Stoddard Lumber Co., Baker, Oreg.
Pelican Bay Lumber Co., Portland, Oreg.
Clark & Wilson, Portland, Oreg.
Hammond Lumber Co., Portland City (also San Francisco).
Red River Lumber Co., Westwood, Calif.
McCloud River Lumber Co., McCloud, Calif.
Michigan-California Lumber Co., Camio, Calif.
Clover Valley Lumber Co., Loyalton, Calif.
Lassen Lumber & Box Co., Susanville, Calif.
Madera Sugar Pine Co., Madera, Calif.
Pacific Lumber Co., Scotia, Calif.
W. R. Pickering Lumber Co., Standard, Calif.
Union Lumber Co., Fort Bragg, Calif.
Yosemite Lumber Co., Merced Falls, Calif.
Anderson-Middleton, Aberdeen, Wash.
Bloedel-Donovan Lumber Mills, Bellingham, Wash.
Cascade Lumber Co., Yakima, Wash.
Deer Park Lumber Co., Deer Park, Wash.
Ernest Dolge (Inc.), Tacoma, Wash.
Eastern Railway & Lumber Co., Centralia, Wash.
McGoldrick Lumber Co., Spokane, Wash.
J. Neils Lumber Co., Klickitat, Wash., and Libby, Mont.
Nettleton Lumber Co., Seattle, Wash.
Ostrander Railway & Timber Co., Ostrander, Wash.
Schafer Bros. Lumber & Door Co., Montesano, Wash.
Snoqualmie Falls Lumber Co., Snoqualmie Falls, Wash.
St. Paul & Tacoma Lumber Co., Tacoma, Wash.
Wyerhaeuser Timber Co., Tacoma, Wash.
Willapa Lumber Co., Raymond, Wash.
E. K. Wood Lumber Co., Anacortes, Wash.
Benson Timber Co., Clatskanie, Oreg.
Blue Lake Logging Co., Portland, Oreg.
Deer Island Logging Co., Portland, Oreg.
Flora Logging Co. and Carlton & Coast Railroad Co., Carlton, Oreg.
Nehalem Timber & Logging Co., Linnton-Portland, Oreg.
Tidewater Timber Co., Portland, Oreg.
Cabin Creek Lumber Co., Easton, Wash.
Clemens Logging Co., Tacoma, Wash.
English Lumber Co., Ballard Station, Seattle, Wash.
Irving Hartley Logging Co., Everett, Wash.
Mason County Logging Co., Bordeaux, Wash.
Merrill & Ring Lumber Co., Seattle, Wash.
Monroe Logging Co., Everett, Wash.
Phoenix Logging Co., Seattle, Wash.
Polson Logging Co., Hoquiam, Wash.
Sauk River Timber Co., Everett, Wash.
Simpson Logging Co., Shelton, Wash.
Sultan Railway & Timber Co., Everett, Wash.
Webb Logging & Timber Co., Seattle, Wash.

West Fork Logging Co., Tacoma, Wash.
Bratlie Bros. Mill Co., Ridgefield, Wash.
Clough Hartley Co., Everett, Wash.
Doty Lumber & Shingle Co., Portland (mill at Doty, Wash.).
Eureka Cedar Lumber & Shingle Co., Hoquiam, Wash.
William Hulbert Mill Co., Everett, Wash.
Jamieson Lumber & Shingle Co., Everett, Wash.
John McMaster Shingle Co., Seattle, Wash.
Seattle Cedar Lumber Manufacturing Co., Seattle, Wash.
Crescent Shingle Co., Kelso, Wash.

Mr. SMOOT. Mr. President, I also offer an amendment, which I send to the desk and ask to have printed and lie on the table. I wish to call the attention of the Senator from North Carolina [Mr. SIMMONS] to it. It is the amendment that I shall propose to the flexible provision of the tariff law.

Mr. COUZENS. Mr. President, I understood that the Senator from Utah was to have the amendment printed in the RECORD. The Senator forgot to ask for that order.

Mr. SMOOT. Yes; I not only ask that the amendment be printed and lie on the table, but also that it be printed in the RECORD.

Mr. SIMMONS. The Senator does not propose to take up the amendment now?

Mr. SMOOT. Oh, no.

The VICE PRESIDENT. Without objection, the amendment will be printed in the RECORD.

The amendment is as follows:

Amendment intended to be proposed by Mr. SMOOT to the bill (H. R. 2667) to provide revenue, to regulate commerce with foreign countries, to encourage the industries of the United States, to protect American labor, and for other purposes, viz: Commencing on page 319, line 10, strike out down through page 326, line 12, and insert in lieu thereof the following:

"SEC. 336. Equalization of costs of production: (a) In order to regulate the foreign commerce of the United States and to put into force and effect the policy of the Congress by this act intended, whenever the President, upon investigation by the United States Tariff Commission of the differences in costs of production of articles wholly or in part the growth or product of the United States and of like or similar articles wholly or in part the growth or product of competing foreign countries, shall find it thereby shown that the duties fixed in this act do not equalize the said differences in costs of production in the United States and the principal competing country he shall by such investigation ascertain said differences and determine and proclaim the changes in classifications or increases or decreases in any rate of duty provided in this act shown by said ascertained differences in such costs of production necessary to equalize the same. Thirty days after the date of such proclamation or proclamations such changes in classification shall take effect, and such increased or decreased duties shall be levied, collected, and paid on such articles when imported from any foreign country into the United States or into any of its possessions (except the Philippine Islands, the Virgin Islands, and the island of Guam): *Provided*, That the total increase or decrease of such rates of duty shall not exceed 50 per cent of the rates specified in Title I of this act, or in any amendatory act.

(b) That in order to regulate the foreign commerce of the United States and to put into force and effect the policy of the Congress by this act intended, whenever the President, upon investigation by the United States Tariff Commission of the differences in costs of production of articles provided for in Title I of this act, wholly or in part the growth or product of the United States and of like or similar articles wholly or in part the growth or product of competing foreign countries, shall find it thereby shown that the duties prescribed in this act do not equalize said differences, and shall further find it thereby shown that the said differences in costs of production in the United States and the principal competing country can not be equalized by proceeding under the provisions of subdivision (a) of this section, he shall make such findings public, together with a description of the articles to which they apply, in such detail as may be necessary for the guidance of appraising officers. In such cases and upon the proclamation by the President becoming effective the ad valorem duty or duty based in whole or in part upon the value of the imported article in the country of exportation shall thereafter be based upon the American selling price, as defined in subdivision (f) of section 402 of this act, of any similar competitive article manufactured or produced in the United States embraced within the class or kind of imported articles upon which the President has made a proclamation under subdivision (b) of this section.

The ad valorem rate or rates of duty based upon such American selling price shall be the rate found, upon said investigation by the President, to be shown by the said differences in costs of production necessary to equalize such differences, but no such rate shall be decreased more than 50 per cent of the rate specified in Title I of this act upon such articles, nor shall any such rate be increased. Such rate or rates of duty shall become effective 15 days after the date of the said proclamation of the President, whereupon the duties so estimated and provided shall be levied, collected, and paid on such articles when imported from any foreign country into the United States or into any of its possessions (except the Philippine Islands, the Virgin Islands, American Samoa, and the island of Guam. If there is any imported article within the class or kind of articles, upon which the President has made public a finding, for which there is no similar competitive article manufactured or produced in the United States, the value of such imported article shall be determined under the provisions of paragraphs (1), (2), and (3) of subdivision (a) of section 402 of this act.

(c) That in ascertaining the differences in costs of production under the provisions of subdivisions (a) and (b) of this section the President, in so far as he finds it practicable, shall take into consideration (1) the differences in conditions in production, including wages, costs of material, and other items in costs of production of such or similar articles in the United States and in competing foreign countries; (2) the differences in the wholesale selling prices of domestic and foreign articles in the principal markets of the United States; (3) advantages granted to a foreign producer by a foreign government, or by a person, partnership, corporation, or association in a foreign country; and (4) transportation costs and any other advantages or disadvantages in competition.

Investigations to assist the President in ascertaining differences in costs of production under this section shall be made by the United States Tariff Commission, and no proclamation shall be issued under this section until such investigation shall have been made. The commission shall give reasonable public notice of its hearings and shall give reasonable opportunity to parties interested to be present, to produce evidence, and to be heard. The commission is authorized to adopt such reasonable procedure, rules, and regulations as it may deem necessary.

The President, proceeding as hereinbefore provided for in proclaiming rates of duty, shall, when he determines that it is shown that the differences in costs of production have changed or no longer exist which led to such proclamation, accordingly as so shown, modify or terminate the same. Nothing in this section shall be construed to authorize a transfer of an article from the dutiable list to the free list or from the free list to the dutiable list, nor a change in form of duty. Whenever it is provided in any paragraph of Title I of this act that the duty or duties shall not exceed a specified ad valorem rate upon the articles provided for in such paragraph, no rate determined under the provision of this section upon such articles shall exceed the maximum ad valorem rate so specified.

(d) For the purposes of this section any coal-tar product provided for in paragraphs 27 or 28 of Title I of this act shall be considered similar to or competitive with any imported coal-tar product which accomplishes results substantially equal to those accomplished by the domestic product when used in substantially the same manner.

(e) The President is authorized to make all needful rules and regulations for carrying out the provisions of this section.

(f) The Secretary of the Treasury is authorized to make such rules and regulations as he may deem necessary for the entry and declaration of imported articles of the class or kind of articles upon which the President has made a proclamation under the provisions of subdivision (b) of this section and for the form of invoice required at time of entry.

(g) The term "transportation costs" means (1) in the case of an article wholly or in part the growth or product of competing foreign countries, the cost of transporting such article from the areas of substantial production in the principal competing country to the principal port of importation of such article into the United States; and (2) in the case of an article wholly or in part the growth or product of the United States, the cost of transporting such article from the areas of substantial production that can reasonably be expected to ship the article to the principal port of importation in the United States of the like or similar article wholly or in part the growth or product of competing foreign countries.

Mr. NYE. Mr. President, at this specific time the Senate is intensely interested in any showing of the profits that are being accumulated by the corporations which are seeking new and added returns under the present bill.

The September issue of the very interesting bulletin on economic conditions published by the National City Bank of New York contains, at page 2, starting at the bottom of the page, an article under the heading "Revised Profits Tabulation," which I ask to have printed in the RECORD.

The VICE PRESIDENT. Is there objection? The Chair hears none, and it is so ordered.

The matter referred to is as follows:

REVISED PROFITS TABULATION

In last month's issue of this bulletin we presented a tabulation of the earnings of 650 corporations that had published their statements for the first half year. Because of the widespread public interest that

has been shown in these studies and the fact that such a large number of additional reports were issued during August, we have brought the tabulation down to date and are giving revised figures as follows:

Corporation semiannual reports

[Net profits; 000 omitted]

Number	Industry	6 months		Per cent change
		1928	1929	
7	Amusement	$8,303	$13,793	+68.4
15	Apparel	7,837	7,460	−4.8
21	Automobile	226,950	236,295	+4.1
40	Auto accessory	40,016	64,917	+62.4
6	Aviation	7,546	12,522	+66.2
20	Building material	14,096	19,166	+36.0
18	Chemicals, industrial	62,597	79,785	+27.4
14	Chemical products	19,844	22,579	+13.8
12	Coal mining	2,864	4,241	+48.0
12	Copper	26,714	50,668	+89.6
20	Electrical	48,017	65,554	+36.5
13	Flour and baking	28,891	33,810	+17.1
23	Food products	55,001	61,445	+12.7
20	Household goods	18,555	23,469	+26.5
35	Iron and steel	93,450	189,209	+102.0
5	Leather	1,923	[1] 3,548	
37	Machinery	22,888	35,413	+54.7
27	Merchandising	26,368	34,562	+31.1
19	Metals, nonferrous (except copper)	21,809	30,797	+41.2
13	Office equipment	11,711	15,223	+30.0
5	Paint and varnish	3,228	4,702	+45.7
9	Paper products	5,220	6,031	+15.5
40	Petroleum	61,130	107,754	+76.4
9	Printing and publishing	16,382	18,930	+15.6
12	Railway equipment	17,866	25,386	+42.2
7	Real estate	5,359	7,563	+41.1
7	Restaurant, chains	3,580	3,154	−11.9
6	Rubber	[1] 6,328	17,342	
3	Shipping	857	2,394	+179.0
5	Shoes	8,972	8,605	−4.1
14	Textile products	5,446	6,761	+24.2
8	Tobacco	5,635	6,762	+20.1
34	Miscellaneous	20,409	28,505	+39.6
536	Manufacturing and trading	909,464	1,241,435	+36.6
185	Railroads	462,025	563,347	+21.9
100	Telephone and telegraph	128,645	137,625	+7.1
95	Other utilities	430,458	507,500	+17.9
916	Grand total	1,924,264	2,449,907	+27.4

[1] Deficit.

Combined net profits of over 900 corporations whose reports have now been issued aggregate $2,449,000,000 for the first half of the current year compared with $1,924,000,000 in the corresponding period of 1928, representing an increase of $526,000,000, or 27 per cent. In the tabulation of the month previous, based on 650 companies, the gain over last year amounted to 24 per cent, and the improved showing is due to the addition of favorable reports in the copper, petroleum, and rubber industries.

The 536 industrial and trading companies as a group made a gain in the half year of 36 per cent over 1928, and a particularly good showing was made by such other lines as aviation, auto accessories, iron and steel, machinery, paint, real estate, railway equipment, and shipping. Eight out of every ten individual reports showed higher earnings than last year, while only three were lower. Taking the combined earnings of the companies making up each particular line of business, it is found that the group total is ahead of last year in 29 out of 33 major classifications.

Earnings of the railroads so far this year, though not showing quite so spectacular an increase as the industrials, nevertheless were 21 per cent ahead of 1928 and the results for the full 12 months will undoubtedly set a new high record. This gain was partly the result of increased traffic but more largely due to improved efficiency and further economies. The increase in gross operating revenues for the first six months, amounting to 5.2 per cent, fell far short of the increase in net, while the increase in operating expenses was only 1.7 per cent, despite the larger volume of traffic.

Space does not permit our discussing in detail these tabulations of corporation profits classified by major industrial groups that have been appearing from time to time in this bulletin. Recently two pioneering books have been published on this subject which can be recommended. Corporation Profits, by Lawrence H. Sloan, editor of the Standard Statistics Co., New York, is an exhaustive study based on published reports to stockholders, while Corporate Earning Power, by William Leonard Crum, of Stanford University, California, is a similar comprehensive study, based on income-tax returns as summarized and published by the Treasury Department.

Mr. NYE. Mr. President, in addition, I desire to have printed in the RECORD, and ask unanimous consent that that may be done, an article under the heading "Tariff Muddling" appearing in the August 15 issue of the Manufacturer, published by the Manufacturers' Club of Philadelphia.

The VICE PRESIDENT. Without objection, it is so ordered. The matter referred to is as follows:

TARIFF MUDDLING

The tariff spectacle that is being presented on the stage at Washington is a sad and a sorry one. It is disheartening to industry, a humiliation to the party in power, an insult to the judgment of the American people. Seven months have passed since the tariff hearings began at the House end of the Capitol. Yet to-day the date of the passage of a new tariff bill is shrouded in the mystery clouds of an indefinite future. And there is genuine doubt in the minds of many who are closely following the legislative path whether there will be any bill at all enacted into law. As to what the measure will contain, if and when signed by the President, that is a case for the seer and the soothsayer and the divining rod.

It is a spectacle as unexpected as it is sorry. The campaign of 1928 was waged largely on the issue of the tariff. The Republican Party was pledged to protective duties if it won the battle. It did win. The voters declared mightily in favor of a Republican administration, and gave a Congress that is Republican in both branches. There was no doubt in the mind of the country but that there would be prompt and protective tariff revision, that the farmer, the miner, and the industrialist would be put on equal terms in the American market place with his foreign competitor. That was an issue that was fought out in the campaign and settled by the votes on election day.

But into the situation there was injected the poison of two words, "limited revision." From that day to this the course of genuine tariff revision has never run smooth. It became a tortuous stream that turned this way and that, and at times became a swirling eddy that flowed over and hid from view the old landmarks of protective tariff. The Ways and Means Committee reported to the House a bill that was nonprotective. In the case of some rates that were adequate for industry, they were secured in sessions of the Republican Members only by a margin of 1 vote. And this after clear mandate from the voters to go ahead and write a tariff bill that would genuinely protect the American producer.

History is repeating itself in the Finance Committee of the Senate. Republican Members are flouting the claims of manufacturers, and seemingly adopting the old tariff ways of Democracy. They are denying the rates of duty that have been clearly proved to be necessary. They are listening to the siren song of the internationalist, and heeding the warped philosophy of the professional political economist. They are wrought up over the fact that foreign nations are protesting against high rates of duty. They seem to forget that they are not Senators of Germany or France or Italy or Japan or Czechoslovakia, but are Senators of the United States. There has been only 1 vote majority for substantial duties on many a ballot in the conferences of these 11 Republican Members, and many a case in which the majority was the other way.

All of this, of course, is giving aid and comfort to the enemy in time of tariff war. It is strengthening the hands of those who will fight protective duties on the floor of the Senate. It is encouraging our competitor nations to keep up their protests and their threats. It is compelling American industry to the belief that it is the stepchild of the admipistration, with no real regard being paid to its interests, no care for its well-being and prosperity. It is not only postponing the relief that should be given, but is making it an impossibility that such relief will be adequate when it does come.

All of this situation could have been changed by a word from the White House at the proper time. All that was necessary was for President Hoover to say that he was for genuine protective tariff revision, for him to put in words after his inauguration what he said in his tariff speeches at Newark and at Boston during the campaign. It needed only that word to rally the Republican Members of both tariff committees of Congress to the standard, and to put behind it the party membership of both Houses.

But that word did not come. There came instead the call for "limited revision," the phrase that has been the undoing of the protection cause. It was that phrase that prevented the Republican members of the Ways and Means Committee from doing their plain duty. It is now serving a similar purpose in the Finance Committee. It was the cause of the Borah resolution almost passing the Senate, a catastrophe that was averted only by votes of Democrats. It is what is causing the Republicans in Congress to turn their backs upon their long-established party doctrine.

To the credit of Pennsylvania's representatives upon the tariff committees be it said that they have not been led astray by this false shibboleth. Mr. WATSON and Mr. ESTEP, of the Ways and Means Committee, stood fast and hard for protective rates. Senator REED is waging a masterly fight in behalf of the industries of his State and of the Nation. These three men deserve well of their Commonwealth,

and of all American industry as well. They have fought the good fight, they have kept the faith. The sorry muddle that is now on exhibition at Washington is not their fault. The blame for it is higher up. It is at the door of the White House.

Mr. METCALF. Mr. President, I send to the desk an amendment to the pending bill, which I ask to have printed, and which, at the proper time, I propose to present.

The VICE PRESIDENT. The amendment will be printed and lie on the table.

Mr. CAPPER. Mr. President, I have here a telegram from the American Association of Creamery Butter Manufacturers, which I ask to have printed in the RECORD.

The VICE PRESIDENT. Without objection, it is so ordered.

The telegram is as follows:

SEPTEMBER 13, 1929.

Hon. ARTHUR CAPPER,

United States Senator, Washington, D. C.:

Our association, by official action of its board of directors, indorsed communication to Members United States Senate, dated September 8, on agricultural items in tariff bill signed by National Grange, Patrons of Husbandry, and 11 other nationally known farm and business organizations. We believe that American farmers are entitled to tariff adjustments outlined in said communication and that nonagricultural items should receive compelling necessary adjustments only.

AMERICAN ASSOCIATION CREAMERY BUTTER MANUFACTURERS,
By W. F. JENSEN, *Manager.*

ALLOCATION OF RADIO CHANNELS

Mr. DILL. Mr. President, I do not desire to take very much time on any subject other than the tariff, but I do want to discuss for a few minutes the situation that exists regarding the allocation of radio wave lengths to the stations of this country.

There appeared in the railroad brotherhood publication called Labor, of September 21, 1929, an article by J. C. Haydon explaining the proposed method of handling radio broadcasting in Canada. A commission in Canada has been studying the situation, and has made the recommendation that the Canadian Government shall abolish all private radio stations, and that the Government shall build and maintain and operate all radio stations within Canada.

I desire to call attention to the fact that this recommendation comes from a commission of hard-headed business men. Sir John Aird is president of the Canadian Bank of Commerce, one of the largest banks in Canada. Charles A. Bowman is editor of the Ottawa Citizen. Dr. Augustus Frigon, of Montreal, is a very notable citizen. They studied the radio situation not only in Canada but all over the United States, England, and Europe, and have come to the conclusion that the only way by which the people can be assured of the free use of radio is by the Government's control of it. They call attention to the fact that the public service of radio is not to be measured by the highest-priced orchestra or by the biggest ball game being reported or the biggest prize fight, but that it must be devoted to the interests of all classes of people.

The plan is to have seven high-powered Government stations, six in the inland Provinces and one in the three maritime Provinces, to be controlled by a Government board of 12 men, three of them representing the Dominion Government and one for each of the Provinces. The Government is to subsidize these stations by a million dollars a year. They are to charge a tax of $3 per set for every radio-set owner, and the advertisers are expected to pay another million dollars a year.

I call attention to this fact not because I want it understood that I favor any such system in the United States but because it is a most significant development. Unless the Radio Commission established by Congress controls the air, and prevents monopolization of it by a few great radio organizations in this country, a public sentiment will develop here that will drive Congress to put all radio under the control of the Government in this country; and it is because of that that I speak this morning.

The Radio Commission has been granting wave lengths, power, and time in a manner that is tending to put the control of an effective radio service in the hands of a few great organizations. The 40 cleared channels established in this country to-day are fast driving out the independent use of radio in an effective manner—40 cleared channels, with 38 of the 40 cleared channel stations on chains. These channels were cleared for the purpose of giving the people radio service all over the country on those channels—and they have placed those channels in the very best places on the dial, in spite of the fact that they heterodyne, and cause harmonics beyond the limits of their own channels.

The commission under the law has specific power over these chain stations. Nearly a year ago they issued an order which, if they had carried it out, would go far to remedy this situation; but every time the date for the enforcement of the order arrives they postpone it, and they have postponed it again and again.

The district court reversed the commission on this cleared-channel proposal, and said that there was no practical reason why the station at Schenectady, WGY, and the station at Oakland, KGO, should not operate on the same channel; they were so far apart that they could not seriously interfere with one another, except for a small class of people midway between them. The court applied the rule of practical common sense instead of the impractical theories of radio engineers. As a result of that decision those two stations have been operating on the same channel for nearly a year, and there is practically no complaint on the part of the people; and yet the commission insists that a station using a wave length on the Atlantic coast must have a free, cleared channel, and no station on the Pacific coast can use it—and vice versa.

One of the stations in New York which has made application for 5,000 watts of power on a cleared channel on the Pacific coast points out that there is nothing in the law that places on the commission the duty of creating cleared channels. I go further and say that in my judgment the law does not permit the granting of these cleared channels and permitting their use as the commission is now doing. The district court overruled the commission on it; and I hope and believe that the Supreme Court of the United States will do the same thing.

Efforts to weaken the radio law in its monopoly features are being made all over this country to-day in the form of propaganda. They want to repeal sections 13 and 17 of the radio law, so that the International Telephone and Telegraph Co. can buy the Radio Corporation's interoceanic stations, and they want to pay $40,000,000 worth of stock for them. Mr. Behn said they were worth $25,000,000 when he was on the stand before our committee last June. Those stocks are selling to-day for more than $100,000,000; and, if it is permitted, there will be $75,000,000 of water to begin with upon which cable and telephone rates must be made high enough to pay dividends.

As I say, they are agitating for the repeal of sections 13 and 17. Mr. Webster, the attorney for the commission, recommended that this be done. I want to say for the commission that they did not approve that recommendation.

The committee of the American Bar Association has recommended that section 17 be repealed. It is the same committee that recommended two or three years ago that Congress recognize the vested rights of stations in the air. Congress did not do that; but when the WGY station case was in court they quoted the committee of the American Bar Association as authority for claiming vested rights. The district court disregarded them.

Mr. JOHNSON. Mr. President, will the Senator yield?

Mr. DILL. I wish the Senator would not interrupt me for just a moment, and then I will yield.

Why should the committee of the American Bar Association write recommendations to Congress about section 17 of the radio law? They are not writing any recommendations about the tariff law.

Mr. JOHNSON. That is exactly what I wanted to ask the Senator.

Mr. DILL. They are not writing anything about railroads. They are not writing anything about farm relief. They are not writing anything about any other kind of legislation; but they come with a prepared recommendation that we shall repeal section 17 and leave the radio situation to be dealt with under the general laws of monopoly. The experience of the country is that up to this time the Radio Trust has been able to disregard the monopoly law. The Department of Justice does not cause it any trouble; but sections 13 and 17 of the radio law are self-enforcing, and we want to keep them in the statute.

I do not want to take more time, other than to read again the statement on this subject of President Hoover in 1924, when he was Secretary of Commerce:

> The question of monopoly in radio communication must be squarely met. It is not conceivable that the American people will allow this new-born system of communication to fall exclusively into the power of any individual, group, or combination.

I know it is said that there are several combinations; but we all know that as soon as a few combinations get control they form a merger. That is what they do in everything else, and they will do it in radio.

Continuing, Mr. Hoover said:

It can not be thought that any single person or group shall ever have the right to determine what communication may be made to the American people. We can not allow any single person or group to place themselves in a position where they can censor the material which shall be broadcast to the public.

Radio communication is not to be considered as merely a business carried on for private gain, for private advertisements, or for entertainment of the curious. It is a public concern impressed with the public trust and to be considered primarily from the standpoint of public interest to the same extent and upon the basis of the same general principles of our other public utilities.

So I say that instead of repealing these antimonopoly provisions of the radio law we should strengthen and enlarge them.

Now, if the Senator from California desires to ask me a question, I shall be very glad to have him do so.

Mr. JOHNSON. The question I wanted to ask was, On what theory did the American Bar Association butt into the situation?

Mr. DILL. I have no knowledge as to that, other than that they have been making recommendations on this subject from the time we started to write a radio law; and it happened that the committee of the bar association that made the recommendation for the recognition of vested rights had a surprisingly large number of members who were affiliated in one way or another with those interested in having vested rights declared. I do not know who is on the present committee, but I do know that it is a peculiar thing that they should want to repeal the monopoly section of the radio law when they do not make any recommendation about any other kind of general legislation here.

Mr. JOHNSON. It so struck me. I am thoroughly sympathetic with what the Senator is saying with respect to the radio. With every medium of expression to-day practically controlled, it behooves us, if we believe in any kind of free expression, to retain, if it be possible, this one in the air.

Mr. DILL. Let me say this:

If the radio law as we have written it and as we intend it to be interpreted is upheld by the Supreme Court of the United States, and that court decides that there is no vestige of vested rights that can be secured by use of any radio channel, the dangers that are being developed by the Radio Commission's action will not be so serious. But if the Supreme Court should say that stations that have once been given a cleared channel are entitled to continue to have a cleared channel, it becomes a most serious thing. It is largely because of that that I protest against the commission's giving to a few great stations in one or two great combinations this right to dominate the air—40 stations to use 40 channels alone, and 600 stations to use the other 49!

Mr. BRATTON. Mr. President, will the Senator yield?

The VICE PRESIDENT. Does the Senator from Washington yield to the Senator from New Mexico?

Mr. DILL. I yield to the Senator.

Mr. BRATTON. For what duration are these cleared channels granted?

Mr. DILL. They are given for only 90 days, but the custom of the commission is to renew them every 90 days, unless there is some serious reason why they should not be renewed.

Mr. WALSH of Montana. Mr. President——

The PRESIDING OFFICER (Mr. JONES in the chair). Does the Senator from Washington yield to the Senator from Montana?

Mr. DILL. I yield.

Mr. WALSH of Montana. It has been represented to me that counsel for the commission has recommended the repeal of these two sections.

Mr. DILL. I stated a while ago that Mr. Webster had made that recommendation, but that was not with the approval of the members of the commission.

Mr. LA FOLLETTE. Mr. President, will the Senator yield?

Mr. DILL. I yield.

Mr. LA FOLLETTE. I understood the Senator to say that some order had been entered by the commission which would remedy this situation concerning the cleared channels, but that the execution of that order had been postponed from time to time. Will the Senator explain just what that order is?

Mr. DILL. The order to which I referred was an order prohibiting stations operating within 300 miles of one another and using the same programs on cleared channels from using more than a certain amount of power. I have not the details in my mind. If they would enforce that it would be a great assistance in bringing effective control of the chain-program situation.

I do not want to be understood as opposing the chain programs. What I am objecting to is the clearing off of all stations on the 40 channels so that the people of the whole country might have certain wave lengths on which they could hear independent programs, and then the chain being granted 38 of those channels for the same programs. Every time the date for that order to go into effect has arrived the commission has postponed it for a three months' or a six months' period.

Mr. LA FOLLETTE. I agree absolutely with the Senator's position concerning these free channels and the granting of such a large proportion of them to the chain programs, and I was interested in ascertaining, if the Senator was in possession of the information, why the commission procrastinates in executing this order which would remedy the situation, and which evidently, from the fact that they have issued it, the commission believes is a justifiable order. Is there some influence preventing the commission from permitting that order to go into effect?

Mr. DILL. I am unable to answer the Senator's question as to why they continually postpone it; but the fact is that they do, and that is the matter to which I am objecting.

MEMORIAL

Mr. JONES presented a memorial of sundry citizens of College Place, Wash., remonstrating against the participation of the United States in any international conference for the purpose of revising the present calendar unless a proviso be attached to the proposed calendar revision definitely guaranteeing the preservation of the continuity of the weekly cycle without the insertion of blank days, which was referred to the Committee on Foreign Relations.

REPORT OF POST-OFFICE NOMINATIONS

Mr. PHIPPS. As in open executive session, I send to the desk, on behalf of the Committee on Post Offices and Post Roads, certain post-office nominations for the calendar.

The VICE PRESIDENT. The report will be received and placed on the Executive Calendar.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. GOFF:

A bill (S. 1728) to amend the World War adjusted compensation act, as amended; to the Committee on Finance.

By Mr. COUZENS:

A bill (S. 1729) to reinstate Reginald Theodore Weber as a cadet in the United States Military Academy in the class of 1934 (with an accompanying paper); to the Committee on Military Affairs.

By Mr. DILL:

A bill (S. 1730) granting a pension to Hattie Christopher;
A bill (S. 1731) granting a pension to Rosa Stevens;
A bill (S. 1732) granting a pension to Daisy B. Shekell;
A bill (S. 1733) granting a pension to Martha A. Olinger;
A bill (S. 1734) granting a pension to Thomas Heslin;
A bill (S. 1735) granting a pension to Catherine E. Emery;
A bill (S. 1736) granting a pension to Emma F. Branagan;
A bill (S. 1737) granting a pension to Carrie E. Aram; and
A bill (S. 1738) granting an increase of pension to Mary D. L. Hakes; to the Committee on Pensions.

FEDERAL FARM LOAN BANK

Mr. BLEASE. I submit a resolution, which I ask to have printed in the RECORD and referred to the Committee on Banking and Currency, and, along with it, certain articles in reference to the Federal farm loan bank.

The VICE PRESIDENT. Without objection, it is so ordered.

The resolution (S. Res. 121) is as follows:

Whereas it appears that public confidence has been so impaired in the whole Federal farm loan system of the Treasury Department that bank stocks and bonds sold to investors have gone begging below par value, though tax exempt, while private taxable bonds have sold above par value as a result of alleged criminal negligence on the part of certain land-bank officials, thus defeating the purposes of the system; and

Whereas President Hoover, both as candidate and administrator, promised the farming class real relief, free of bureaucratic domination and red tape, although no move has at this late date been made to unshackle the politically dominated Federal farm loan system: Therefore be it

Resolved, That the President of the Senate be, and he is hereby, authorized and directed to appoint a committee of four members, two Republican and two Democratic Senators, to fully investigate the Federal Farm Loan Bureau of the Treasury Department, and of the relations of said bureau with the 12 Federal land banks, the various joint-stock land banks, intermediate-credit banks, the national farm loan associations, and any and all agencies which have been created to act with and for same, wheresoever located, and of the operations of same, to ascertain whether or not proper methods have been employed, free of political partisanship or criminal negligence, in the administration of the affairs of the said bureau, system, and various agencies, and to

report to the Senate at the earliest possible date the true conditions of same, together with such recommendations as they may deem wise and expedient for the administration and amendment of the farm loan act so as to insure the American farmers and investors a service in keeping with the principles of the American Government.

Resolved further, That for the purposes of this resolution such committee is authorized to hold public hearings in Washington and in each of the land-bank districts and to sit and act at such times and places as it deems necessary or proper; to require, if necessary, by subpœna or otherwise, the attendance of witnesses; to require the production of books, papers, communications, documents, reports, and other evidence; and to employ counsel and other assistants. The cost of stenographic service to report such hearings shall not exceed 25 cents per 100 words. The chairman of the committee or any member thereof may sign subpœnas and administer oaths to witnesses; and every person duly summoned before said committee who shall refuse, fail, or neglect to obey the orders of said committee, or to appear, or to answer questions or produce documentary evidence, shall be punished as prescribed by law. The expenses of the aforementioned investigation to be paid out of the contingent fund of the Senate, not to exceed a total of $25,000, upon vouchers of the committee duly signed by the chairman and approved by the Committee to Audit and Control the Contingent Expenses of the Senate.

The articles referred to by Mr. BLEASE are as follows:

[Editorial in Outlook and Independent, New York City, September 4, 1929]

MR. HOOVER HAS ANOTHER JOB—UNSCRAMBLING THE FEDERAL FARM LOAN SYSTEM

An editorial by Charles A. Beard

(EDITOR'S NOTE.—Where is mankind going? Study of farm problems and their solution both in America and Europe has fitted Doctor Beard to make the pointed suggestion about our land banks that he offers to President Hoover and the new Farm Board. An author of several volumes on government, best known perhaps for the Rise of American Civilization, he speaks with authority. He is one of the regular contributors who discuss in this editorial page the current problems and progress in their special fields of activity and thought.)

Amid all the uproar over farm relief one important phase of the subject has received little or no attention at the hands of the relievers, namely, the system of land banks already operating under Federal auspices.

That system, created during the régime of President Wilson, was organized for the purpose of making loans to farmers at low rates of interest—5 or 6 per cent as compared with 8, 10, and even 12 per cent previously paid in large sections of the country, especially the West and South. The money for these loans was secured from the investing public mainly by the sale of bonds at low rates of interest—4 to 5 per cent—on the solemn pledge of the Federal Government, registered in statutes, to the effect that the Federal and joint-stock land banks would be administered along lines of sound finance. That pledge embraced four fundamental principles: (1) Valuations of land for loans were to be conservatively made; (2) an adequate margin of safety was to be provided for all bonds issued; (3) all bond issues were to be inspected and approved in advance by the farm loan authorities at Washington; and (4) all the banks were to be periodically inspected by Federal officers with a view to assuring the enforcement of the rules of safety. The Federal Government did not guarantee the land-bank bonds, but it did guarantee that the administration of these banking institutions would be in accordance with the pledges made in the statutes.

STATUTORY GUARANTIES OF FEDERAL GOVERNMENT FLAGRANTLY VIOLATED FOLLOWED BY PLAIN FRAUD

What has been the result? Under Harding and Coolidge, to go no further back, the statutory guaranties of the Federal Government were flagrantly violated in many cases. There were overvaluations of land—as demonstrated by bankruptcies, declines in bond values, and accumulating lands taken under foreclosure. The promise that there would be an adequate margin of safety in valuation was not fulfilled; the prices of land-bank bonds are sufficient proof. The inspections required by law were not regularly made; on its own confession, the Farm Loan Board allowed some banks to run over long periods of time without even a superficial survey of their operations. To cap the climax there have been two or three cases of plain fraud.

LAND BANKS DEMORALIZED AND PUBLIC CONFIDENCE IMPAIRED

Where do we stand now? The permanent system for providing credits to farmers at low rates has been demoralized and public confidence has been impaired. Proof of the fact lies in the present prices of Federal land-bank and joint-stock land-bank bonds on the New York counter market.

NOT A SINGLE FEDERAL OR JOINT-STOCK LAND BANK BOND SOLD AT PAR

On August 8, 1929, not a single Federal or joint-stock land-bank bond was selling at par; in only two cases was par or better even asked—for a Minneapolis issue, 100¼, and for Union-Detroit, 100. Only 97½ was offered for Federal land bank 5s. For bankers 5s, 26 was offered; for Chicago 5s, 64; for First Carolina 5s, 66; for South Minnesota 5s, 53; for Oregon-Washington 5s, 53; for Ohio 5s, 30. For Chicago stock 7 was offered; for First Carolinas, 10; for Des Moines, 6; for Fremont, 35. Of course there has been a general decline in bond prices during the past year, but the decline in many of the land-bank bonds has been entirely out of line with the market. Undoubtedly a large number of the banks have been efficiently administered by their directors, but the management of a considerable minority and the long neglect of the Federal Government have spread distrust with respect to the entire system.

TAX-EXEMPT LAND-BANK BONDS SELL BELOW TAXABLE POWER BONDS

Here we have a Federal land bank 5 per cent bond, exempt from all Federal and State taxes, selling at 97½, while a Montana Power refunding 5 of 1943, liable to Federal and State taxes, sells at 101. Burnt by its experience, the investing public is not likely to pay high prices for the next issue of land bonds; the best of the banks will suffer from the misconduct of the worst.

FIVE YEARS OF COOLIDGE NEGLECT IS EXPENSIVE—THE EUGENE MEYER FIASCO

It will be said that President Coolidge, after years of neglect, was finally awakened by the bad odors emanating from the Federal farm loan system and appointed Mr. Eugene Meyer, the New York banker, to the post of farm loan commissioner, with instructions to clean house. That is true, and Mr. Meyer stuck to his post for about two years. He found one of the largest joint-stock land banks in bankruptcy, two others on the way, and "a number of Federal and joint-stock land banks faced with a difficult situation." According to his reports Mr. Meyer worked hard cleaning house, and in May, 1929, he retired, announcing that the examinations required by law were now being made, that improper and irregular practices had been eliminated, and the management of banks in difficulty had been strengthened and reorganized. President Hoover congratulated him on his achievement and thanked him for his sacrifices.

It is undoubtedly true that the Federal administration of the farm loan banks has been greatly improved during the past two years, and that more efficient methods of controlling and accounting have been introduced.

MEYER'S WONDER-WORKING MIRACLES BRING BANK STOCKS AND BONDS DOWN TO A LOW EBB

Notwithstanding Mr. Meyer's wonder-working miracles, land-bank stocks and bonds have continued their downward career. Before he began, First Carolinas were selling at par; to-day they are selling at 66. The taint of bankruptcy and irregularity which discredits the system with the investing public has not been removed. A fundamental part of our agricultural credit system is thus in a state of uncertainty, to put the case in the mildest terms. If it is said that the stock and bond holders deserve to lose their money for their stupidity in believing that the Federal authorities would do their duty and that the semipolitical banks would be competently administered, it must be remembered that in the long run it will be the farmers who will suffer; the permanent Federal land-bank system is their best hope for credits at a low rate of interest.

WHAT REMEDY HAS PRESIDENT HOOVER TO OFFER IN REAL "FARM RELIEF" TO THE THOUSANDS OF FARMERS WHO NOW OWN THE LAND BANKS?

What of the future? It may be assumed that the Federal Farm Loan Board will be competently administered under Mr. Hoover, but it seems to be too late to restore the impaired system by mere administrative action.

A CONGRESSIONAL INVESTIGATION IS ONLY MEANS OF RESTORING PUBLIC CONFIDENCE IN THE WRECKED LAND BANKS

Only a thorough investigation of the secret history of the Federal and joint-stock land banks can reveal the true state of affairs and legislation will be needed to restore efficiency. Will Congress make that investigation? Unfortunately the ardent champions of farm relief do not seem to be giving much attention to the subject, and their colleagues in Congress are not profoundly disturbed by the breakdown of the farm-loan system. Probably the stocks and bonds of the land banks are held by small investors. Regular bankers and speculators on the stock market are not attracted by them. And these small investors, widely scattered, are unable to cooperate in bringing "pressure politics" into play.

A STRIKING PARALLEL IN PRIVATE BANKING

If the National City Bank had lost half as much money in the Caribbean as these investors have lost in bankruptcies, frauds, and depreciation, it is likely that something would have been done long before this late hour. Moreover, there are in the country banks, insurance companies, and farm-mortgage firms that would rejoice in seeing the whole system smashed and a return to the good old days of 6, 8, 10, and 12 per cent (with commissions) for loans to farmers in the West and South.

WILL PRESIDENT HOOVER AND CONGRESS ACT TO RESTORE LAND BANKS?

The problem presented by the land banks is decidedly "up to" President Hoover. If he is really as deeply concerned about the plight of

agriculture as he appears to be, then he will bring the whole issue of the farm loan banks forcibly to the attention of Congress at its next session and will recommend legislation looking to the reorganization and consolidation of the system. Nothing short of heroic measures will restore it to its proper place in agricultural economy and popular confidence.

"THE COMING SCANDAL OF THE FEDERAL FARM LOAN SYSTEM"

(Extracts from exhaustive report made by Mr. Xeno W. Putnam, Harmonsburg, Pa., former secretary-treasurer of the Crawford County National Farm Loan Association)

The Coming Scandal is an appeal against abuses in the farm loan system that can be, and that ought to be, corrected. In the system itself, and in the act that created it, we have great faith; in its political personnel and management we have none at all.

We believe that the farmer who has debts should discharge them by his own efforts. No one can win his battles for him; he does not ask for alms. But against the handicap of official dishonesty for which he is not responsible it is his right to appeal to the Senate, to the Congress, to the people themselves, if their Government fails him.

Through this chapter, which is one of several that will follow, he is now appealing only for the truth, that its faults may be remedied; for an investigation that will unveil the facts that need correction, no matter who is hit nor who is absolved. He is asking for this much in the name of common justice. Is he, think you, asking for an unfair thing?

The Coming Scandal announcements stated that the Federal Farm Loan System is rotten with mismanagement, official corruption, fraud. Whether we have proved our assertion we leave to these advance sheets—and your own judgment.

That rewards are being publicly offered by land banks for breaking up homes, destroying families, sending sons of the soil to the gangs and farm daughters to the streets. We dare any farm loan official, after he has read the Coming Scandal to deny this statement.

That rewards are being offered by land banks for fraudulent insurance policies; a penalty for honest applicants. The Coming Scandal tells the actual story, the time, the place, the names, the amounts—in official records.

That 130,000 farmers in 10 States have been sandbagged out of $23,000,000 in good farm equities. The Coming Scandal proves that statement, excepting as to the figures; they are greater than that now.

That hundreds of millions of farm-loan bonds have been advertised and sold, in part through the mails; that they were offered under false assurances and sold under false pretense. If you do not believe this statement to be true, the Coming Scandal proves it.

That to criticize the Federal farm loan management as it now exists is to be openly branded a liar, speculator, traitor; to be threatened with prosecution, persecution, ostracism. That is only one of the stories given, with names and places and dates, in the Coming Scandal.

That Federal land banks, with the sanction of the Farm Loan Board, have compelled farmers to pay a county judge a larger salary for a term of five years than the United States Government pays the United States Supreme Court Chief Justice, although the farm loan act never provided for such a salary.

All of this is told in the other 12 chapters of the Coming Scandal.

The occurrence here described is an inheritance from the Coolidge administration. It was condoned and adopted by the old Federal Farm Loan Board and its head, Farm Loan Commissioner Robert A. Cooper. The charter of absolution and of palship has been renewed by the reorganized board, under the leadership, first, of Commissioner Albert C. Williams and, later, of Commissioner Eugene Meyer. It has been retained by that part of the political system that was evolved out of the great "Meyer clean-up." It has pleased the king. Let the princes of his retinue now drink their toasts to bureaucratic law from the golden vessels that have been furnished and filled out of the loot extorted from the common herd.

Most of the facts that are here recorded were given, first to farm loan executives, to Members of the House and Senate, to the Department of Justice, to the King of the Treasury, to President Coolidge; wherever there seemed a chance that remedial influence might be invoked. In nearly every instance charges against the Farm Loan Board were referred back to the board. Judas himself was called to preside as both judge and jury at his own trial.

Copies of the several charges made herein are being mailed to Members of the Senate and of the House, to President Hoover, to a good many independent thinkers who have the right of citizenship to know the facts of their own Government. Whether the faults that developed under the old Farm Loan Board during the leadership of Commissioners Lobdell and Cooper, and which the Mellonized board under Commissioner Meyer greatly aggravated, will be indorsed by President Hoover as a part of his own administration in the continuance of that board, though under a new leader (Morace Paul Bestor, appointed farm loan commissioner May 15, 1929), is now to be tested. The farmers of America and a good many other people await the outcome of that test.

The greatest renovation of all he (Meyer) did not refer to in that letter—his own resignation—tendered to President Hoover on April 3, both as board member and as farm loan commissioner, to take effect May 10.

HOOVER REGRETS PASSING OF MEYER

On April 29 the President accepted Mr. Meyer's retirement, in words of the keenest regret, and the hectic Wall Street dictatorship that Secretary Mellon established over the land banks for the farmers two years before and that President Coolidge rubber stamped has lost its head.

THE FOOLS OF MAIN STREET

The looting of a national farm loan association treasury or the embezzlement of its dividends and funds may be considered strictly local matters; so, for that matter, may we regard the robbing of a country bank, the murder of an obscure citizen. When enforcing agents of the law, employed either by State or Federal Government, connive at the physical escape of the criminal or refuse to produce the evidence needed for his conviction and which they have acquired at public expense, an issue of insulted law has been created that is no longer local.

Through such a local offense the writer now introduces a national issue; to establish criminal negligence and criminal guilt on the part of Farm Loan Board and land-bank officialism he appeals to the activities of a national farm loan association secretary-treasurer in a country town. The fact that the board or a land bank may have concealed the evidence or have held it in abeyance until the statute of limitations protects the original offender does not render any less important the thought that the same crime may at this moment only be prevented in any one of the 4,700 other farm loan associations, or in all of them, by the honesty of their own secretary-treasurer in each case rather than through any interference of the board or of the law's enforcing agents.

OUR SPECIFIC CHARGES

1. The misapplication, misappropriation, or embezzlement of association dividends and funds by a secretary-treasurer, herein named.

2. The issuing of false statements by said secretary-treasurer, in writing and otherwise to stockholders, for the purpose of deceiving them, and which did deceive them, with regard to the funds accruing to their association from the above dividends.

3. The aiding and abetting of said misappropriation on the part of Federal land-bank officials by their suppression of material evidence possessed by them, for more than a year after it was demanded.

4. The aiding and abetting of said misappropriations through the suppression of material evidence needed by stockholders in the protection of their property and which the Farm Loan Bureau at that time possessed and refused to yield.

5. The issuing of false statements and juggled accounts by land bank and association examiners; the indorsement of those false statements by the Farm Loan Board through their commissioner and chief examiner.

Since the reorganization of the Farm Loan Board under Eugene Meyer, since the addition of new members from Wall Street and from the Mellon office, remonstrance among stockholders against the continuance of known crimes or known abuses has been resisted, discouraged, all but enjoined, both by this Mellonized Farm Loan Board and by its accredited agents, national and local.

So long as serious violations of the law are protected by the veil of secrecy which a sympathetic ministry draws about them, for neither the borrower nor the investor can the Federal farm loan system now be considered safe. Whenever the criminal act of a pet secretary-treasurer in the system is condoned by official evasions 4,700 invitations have been issued to as many other secretary-treasurers to a carnival of crime at which the hosts will supply the masks and costumes. Some of these invitations are likely to be accepted; there will be other crimes and other losses. "Crimes are more effectively prevented by the certainty than by the severity of punishment," Blackstone's Commentaries, volume 4.

There will be further juggling with accounts, until none of them can remain entirely untainted by the fraudulent and falsified items that must go into the general reports. So long as the official system, with guilty knowledge, permits the use therein of juggled figures, and so long as the true facts are by it suppressed, neither the stockholder nor the bond investor has any means of knowing which items and statements and reports are true and which are false.

This is a serious charge. Some honest friends of the farm loan system may believe it to be a very unwise charge, although admitting in the meantime that it is the truth. Those disclosures—we in turn admit the fact—which affect the sale of the bonds restrict the active functioning of the system for the farmer. But the time has come when the farm should no longer be serviced through a continuance of the rank frauds and hypocrisy and mismanagement that can only flourish in falsehood and secrecy and darkness. It is time for us and for the Federal Government to ask not whether the bonds will sell

but whether the Government is justified in permitting them to be sold. Until the Federal farm loan system can afford to reveal its activities to honest inquiry, and especially to official inquiry, such as a committee from Congress, neither farmers nor bond buyers can afford to intrust their commitments to the system.

Not one Federal farm loan bond should be purchased or sold or permitted a place upon the market until bond buyers are fully protected against falsified reports that are founded in part upon rascality and incompetence and mismanagement among the officials of the system; and the only way to protect them is to protect the stockholders, the borrowing farmers, from the official leadership that encourages such rascality by its defense and its moral sanction.

Senator J. H. CARAWAY, of Arkansas, on February 9, 1929, said:

"The man who protects somebody in the commission of a crime is dishonest. Whether he is in sympathy with the law or not, he is an undesirable man to put in charge of law enforcement, because he is corrupted already."

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SO THIS IS FARM RELIEF!—THE LOAN SYSTEM'S SORRY RECORD

By Gertrude Mathews Shelby

When Mr. H. G. Wells burgeoned forth with spring, in the Saturday Evening Post, expounding the question "Has the money credit system a mind?" he described "the banking financial community" as having control without responsibility, and observed that "it displays but slight awareness of what as a constituent organ of society it is up to. It is just working uncritically, like a born cart horse in a cart."

An extraordinarily interesting test of this question exists in that colossal centralized credit community of ours known as the Federal farm loan system. Now 12 years old, it boasts nineteen hundred millions of assets, and the achievement of having lowered farm-mortgage interest rates by about 2 per cent. Political optimists like President Coolidge, blandly content with vast size and extensive service, ignore—at least, publicly—this system's incidental, but important, powers of social control, the beneficial uses of which require masterly application of mind.

Economists point out that, even with rates lowered 2 per cent, farmers are paying too much for necessary financing. Our rates are higher than those available in 20 other leading countries. Our farm industry earns only about 4 per cent on its investment. It can not afford to pay 5 to 6 per cent for mortgage loans, nor for marketing loans, to say nothing of the customary 10 per cent for financing crop production where such credit is obtainable. Why, the farm organizations demand, with the world's largest rural credit system, offering tax-exempt bonds denominated as Government instrumentalities, should farmers of the United States pay more for funds than farmers in other lands pay for loans from smaller systems?

That administration of our rural credit has not resulted in low enough interest rates is merely a first point made by critics. They complain that major social powers, carefully prepared for in drawing the farm loan act, have been abused or perverted. One of these powers looks to the prevention of unnecessary deflation of the farmers' permanent investment, his land. That section of our 3-part system for farm-loan relief, the Federal land banks, controls about 10 per cent of the total farm-mortgage business of the country. The 12 regional Federal land banks are under Government control. Nation-wide in their activities, they possess regulatory powers which extend to the authority to sustain farm-land values to an important degree.

The acid test of whether this credit community has a mind involves this point.

Encouraged by high prices and the boom methods of farm realtors, some—by no means all—of our farmers bought too much acreage at inflated postwar prices. With the failure of farm income, deflation occurred, followed by a land crisis. Bankruptcies and foreclosures were widespread and inevitable, and the tragic procession of defeated farm families began to move citywards, seeking livelihood in other occupations than those to which they had been trained. By 1924 it was a migration; then a rout. To-day we know that we suffered a net loss in farm population of 4,000,000, and still land panic is with us. Farms are still being foreclosed in numbers by mortgagors, and land prices are strikingly subnormal. The question is: Did the farm-loan system display the disposition and the intelligence to use its wide powers to sustain land values as much as possible?

Concrete acts allow ground for belief that the system exerted its powers, perhaps blindly, to the positive detriment of agriculture, for whose relief it was designed. For, somewhat casually, when deflation of farm prices was well under way, the Federal Farm Loan Board initiated a drastic policy, the significance of which—since nominally it had to do with accounting—remained obscure for several years. Presidents of the Federal land banks were advised that "acquired real estate"—foreclosed farms—must be completely charged off the books immediately after taking. Since land banks have no assets save lands, this ruling was tantamount to inflicting a rate of 100 per cent depreciation upon the business. Thereafter, for more than five years, all farms foreclosed were not listed in any value whatever as assets. The true asset value of these farms was thus concealed.

The effect of this ruling was calamitous. Like all other agencies lending on land, the Federal banks had to carry an overburden of real estate, although they were not, in most instances, so badly off as State or certain national banks, or many insurance and mortgage concerns.

An identical problem faced all alike: How to carry the land until it could be profitably sold. "Hold" was the watchword. Experts advised a private insurance company with heavy mortgage investments that to sell 5,000 acres in parcels scattered throughout Iowa at forced sale would depress farm-land prices throughout the State $25 per acre.

Commercial banks having demand obligations were soon compelled to sell. Land banks, however, were in a favored position.

Accepting no deposits, free from demand obligations, they were also fortified by the provision in the farm loan act designed to meet just such a crisis, and to allow for the cycle of industrial ups and downs. The land banks are empowered to hold land five years if necessary, and no fixed rate of depreciation is set. Generally speaking, the Federal land banks were in a good position to hold, since appraisals for the most part had been conservative. Testimony given in congressional hearings states that in Iowa, for example, $100 per acre was arbitrarily fixed as the top value that would ever be accepted as a lending basis. The Federal land bank loaned closer to 35 per cent than the legal 50 per cent of the accepted valuation.

The policy of complete, immediate depreciation of all assets, however, changed the complexion of the situation, since it deeply affected the balance sheets of many of the Federal land banks. To make a reasonably good showing the land banks of various districts had to sell. There were few buyers at any price. As tight-pressed commercial banks attempted to liquefy assets nearly all at once, a glut of land accumulated. When, regardless of market conditions, certain land banks joined the stampede and dumped land—sometimes wholesale—on a market which was already bad, prices dropped plummetwise.

The St. Paul Federal Land Bank sent to the auction block in a single batch parcels of land worth one million; the cash price received was $375,000. The transaction brought a large direct loss to the bank, but its indirect losses were worse. By depressing values the security behind every good loan was reduced not only for this bank but for all mortgage agencies. And the human loss! Farmers in no visible way related to the Federal land bank saw their equities in their farms diminish, and, in some cases, vanish. Such a process inevitably increased the migration which it was the obvious duty of the system to exert itself to check.

In the great Spokane Land Bank a serious situation was reached by 1924. Federal land banks have interlocking liability; all are responsible for the losses in any. Spokane's overburden of foreclosed lands (and unpaid taxes) alarmed the Federal board and the other 11 banks. The condition set up by law for receivership of any bank is default of interest on its bonds. This was not reached at Spokane; nevertheless, a receivership, camouflaged under the name of the Spokane Commission, was set up. To-day Spokane stockholders complain that their bank never actually required any such treatment; that had they been allowed to count their real assets at book value (farms appraised at ten millions which the bank had foreclosed), they would have worked out their problem. They complain that a large land-sales department, employing 40 people and extra officials, exerts a costly and dual control over the bank's affairs, which Spokane is required to stand because the other 11 banks furnished, up to 1928, some $2,800,000 to help Spokane out.

We lack sufficient information to test the justice of these contentions. A covering darkness has been maintained for some years over the actual contract between Spokane and the other 11 banks about the amount of land sold, whether wholesale or retail, as well as about the prices received and the names of the purchasers. The apparent secrecy has its excuse in the probable effect on the bond market. If farmers of other districts had known that three millions of funds otherwise available for dividends to themselves were diverted to the Northwest, necessarily or unnecessarily, stockholders as well as bondholders might have exerted themselves in an effort to find out whether the situation was caused and prolonged by stupidity or by design. After the fact the information did less harm; yet it would appear that a flood of light should still be let in.

For the financial aid given Spokane taxed the resources of other banks, and the continuance of the charge-off policy even more so. To-day the Columbia, S. C., bank is said to face a more serious situation than any other. Six out of twelve of the Federals, by 1927, showed their embarrassment by cutting their dividends; four reduced, two paid none whatever. Why these facts were omitted from the 1927 annual report of the Farm Loan Board to Congress is a question of interest. For two years those annual reports of the Farm Loan Board have been oddly delayed. The 1926 report was withheld until Congress had adjourned. Finally submitted as of a May date in 1927, it was not printed for general distribution until the very last of that year.

The 1927 report, due in the first quarter of 1928, was held up until the Senate finally passed a special resolution demanding it; its appearance was made on the eve of the adjournment of Congress in May. Astonishingly, that report included tables for a whole quarter of the year 1928.

Statements from this board before now have puzzled even wise members of the Senate Banking and Currency Committee, usually because they were brief, consolidated, unelucidated. But why should the board have been moved to the unprecedented presentation of figures for 15 instead of 12 months? Explanation lies in the fact that in February, 1928, the 100 per cent depreciation policy on foreclosed farms was at last abandoned. The book value of many million dollars' worth of farms distinctly improved the appearance of the March statements over those of December. Revoking the policy was proper; inclusion of three months of 1928 decidedly improper. Such practices in a presidential campaign year invite damaging comment upon the board, headed by Eugene Meyer, intrusted with the supervision of $2,000,000,000 institutions, and required promptly to present unconfused facts for one year at a time to Congress and to stockholders. Query: Was the action the result merely of inadvertence?

Was the depreciation policy which, according to qualified analysts, unnecessarily embarrassed the farmers' banks, and increased instead of checking deflation, perpetuated through mere inability to use machinery properly?

Perhaps the Federal Farm Loan Board and the political appointees who officer the Federal land banks simply muddled along. Certainly the alternative is not agreeable to consider. It would imply a prolonged hostility toward the farmers' own nonprofit banks. It might entail indictments of successive farm loan boards, of Mr. Mellon, ex-officio chairman, and of the administration. Nevertheless, the sequence of farm loan activities is so interpreted in certain quarters. Evidence offered in connection with the long-suppressed joint-stock land bank scandals is pertinent to this theory. In 1926 the privately owned and parallel system of joint-stock banks, competing with Federals, found themselves confronted by a similar, but far less stringent, ruling of the Federal Board, requiring a charge off of 20 per cent annually on acquired real estate, and setting aside an extra reserve. The majority fought like wild elephants. They uttered strong charges concerning old-line mortgage interests using Treasury influence to wreck the farm-loan system. They declared that this depreciation policy, not half so exacting as that which had long been in force in the Federals, would actually ruin the joint stocks, which had a much lighter burden of acquired land.

So effectively did the joint stocks protest the right of the Federal Board or the Treasury to interfere with fiscal policy—the clear prerogative of their own boards of directors—that ultimately the rules which had been formally adopted were revoked, with the approval of Mr. Mellon, without ever having been put into force.

Now, if the joint stocks' contention that such a policy would ruin their banks is correct, it would appear that for years before and a year after the Federal board let this branch of the system off, it consistently maintained that policy to the prejudice and actual damage of the farmers' Federal land banks. Why the discrimination between the two systems? Since early in the game, the private, profit-making joint stocks have been favored. When Congress, in its alleged wisdom, set up two parallel systems of banks to do the same work, the least that could have been expected of the supervisor, the Federal Farm Loan Board, was impartiality. Yet it appears that the farmers' own branch, for whose stock farmer stockholders have paid in sixty-one millions of hard-earned, crop-made dollars, has suffered a weighty, unseen handicap. These stockholders have never been permitted to control the boards of their own banks—and thereto appends a tale of political chicanery almost without parallel! They have been kept virtually unable even to find out what was actually being done to them. So this is farm relief!

Not unnaturally, the favored joint stocks have been able in recent years to outloan the Federals. Not unnaturally, six of the farmers' banks are less prosperous than they might be expected to be by virtue of the three billions of good lands pooled by their members, the tax exemption their bonds enjoy, and the sublime trust farmers somewhat blindly place in their government. What is remarkable is that, despite losses, because of its vast resources and the faith which has to date bred new business, the farm loan system is still financially sound.

To make it sound in all other ways is imperative. Dangerous tendencies must be checked and legislative and administrative adjustments made. Before passing new farm-aid legislation, this Congress might well adopt means to achieve the full purposes of that hopeful Congress of 1916, which fathered the farm loan act. Those who advocated social control of banking and credit should concern themselves with fool-proofing the farm-loan credit community, and supplying it with necessary gray matter to allow its development in the superlatively important field of cooperative credit, on lines which do provide low interest, assure self-help, of which politicians can not make ducks and drakes, and prevent dangerous absent-mindedness in regard to genuine information and major policies.

SO THIS IS FARM RELIEF FINANCE—HOW THE POLITICIANS BETRAY THE FARMERS

By Gertrude Mathews Shelby

The United States is in banking up to its ears. Losses running into many millions of dollars have occurred in Federal intermediate credit banks, capitalized by the Government, and the farmers' own land banks, operated but not owned by the Government. Yet repeated demands to investigate these losses have been sidetracked in Congress. Senator HOWELL (Republican) entered a resolution in 1924, a Treasury auditor having previously testified that eight hundred and eighty millions in farmers' land bank funds had escaped Treasury audit, and proof having appeared that the Federal Farm Loan Board had set up an account with moneys detached from these funds in a private Washington bank, disbursing some $37,000 over one signature without vouchers or receipts. No action was taken, although, according to Treasury analysts, this Federal board possesses dangerous power through its dual functions of management and supervision, a condition which is inconsistent with safety.

Last spring, as a result of known losses of one million in the Intermediate Credit Bank of Columbia, S. C., and other unannounced losses in the farmers' land banks, and also the private joint-stock land banks (all three are supervised by the Federal Farm Loan Board), Senator BLEASE (Democrat) demanded investigation in that district, which includes Florida, Georgia, and the Carolinas.

The president of two of the Columbia banks, the Intermediate and the Farmers' Land Bank, was H. C. Arnold, whose qualifications for the responsibilities of banking appear slight. He had formerly been deputy warden of the Atlanta Penitentiary. The two first-mentioned banks, run by the same board, have assets of $80,000,000. The Senator's resolution was pigeonholed, after the Farm Loan Board had defended Arnold before the Senate Banking and Currency Committee, and certain new appointments were made—but late in 1928 the board accepted Mr. Arnold's resignation.

Senator BLEASE renewed his demand at the beginning of the current session, citing the fact that losses in the farmers' land banks would run to millions, mentioning an alleged confession made by Arnold two years ago, as well as a defalcation for which one employee had been sent to jail, two unexplained suicides of cashiers, and other embarrassing incidents. Senator CARAWAY, complaining that Arkansas farmers could not get loans, offered to support the resolution if it were broadened to include the St. Louis district. WHEELER, of Montana, made a similar offer if the Spokane district were covered. On January 28 the broadened resolution was introduced, including the whole system and the Federal Farm Loan Board.

The inquiry is now more important than ever, because of a recent attempt by politically appointed executives of the land banks to shift the burden of liabilities to the farmer stockholders. The law is based on mutual aid. In the past the banks holding the assets have, as the act stipulates, borne the losses, distributing them among associations. This is reasonable; one area may be prosperous, one depressed; but all pull together.

In December some four hundred associations in the Berkeley district were asked to sign an agreement, of dubious legality, by which each association was thereafter to assume its own losses. At first glance this seems, perhaps, mere accounting. But in practice it invites dangerous consequences. Farmers belonging to financially embarrassed associations may soon find themselves facing bankruptcy. Each farmer is compelled to buy stock in the land bank to 5 per cent of the amount he borrows. His stock has double liability. If the association he must join gets into hot water, members can be compelled to pay 10 per cent of the amount of their loans. This is enough, when farm incomes are low, to ruin many. California raisin growers are suffering from depression.

One association refused to sign this agreement because its losses would be increased twelvefold, and for years it had borne its share of common losses. Other associations were misled by plausible representations, and gave up their legal birthright.

Attorneys for the several banks and the Federal board conferred on this plan and are understood to have authorized a standard type of agreement which all banks are to persuade their associations to sign. Why do they advise this? Presumably because, if the present huge losses of the banks were transferred to the associations, whose books nobody except inside examiners ever see, the books of the banks would be clear. The financial statements of the banks might once more be miraculously improved, under Eugene Meyer's régime, as they were by the sudden reversal of policy in estimating assets adopted last March. Investors might be inveigled into buying bonds more liberally. The figures would appear to justify continued political control. And the losses would, in effect, be concealed.

Yet this procedure is so certain to check the growth of the system, if it does not cause its gradual death, that one wonders where the idea originated in the political-financial community. Mutual aid is practically abandoned. Lone handed, instead of cooperatively, the associations must fight out their battles.

How can embarrassed associations persuade new farmers to take their loans from the system when associations with delinquencies and losses may not distribute dividends? Why should farmers join, purchase stock with double liability and the added risk of political management, when loans are easily available elsewhere at only slightly higher interest? If associations have no hope of canceling losses out of the gains of new business, and farmers everywhere become frightened when certain stockholders are called upon to meet their liability, the system will fall into disuse. To be sure, it can be kept nominally alive for some years—that is, jobs can be saved. But as soon as it becomes inactive, interest rates on mortgage loans will inevitably rise. Are administrators unaware of these implications? The pending resolution is highly important.

There are plenty of figures available to justify the claim that the farm-loan system is sound in theory. But figures are not enough. Men and farmsteads are involved, and their protection requires a thorough investigation to discover what old principles and new safeguards should be invoked. Government bureaucracies, operating any business, have well-known faults. And in the handling of huge sums of money for lending these faults become magnified. We have not yet forgotten the disaster of the Bank of the United States. Our modern rural-credit systems multiply the unhappy chances of that early venture a millionfold. Why, then, does not Congress investigate?

Politics!

Since political appointees control the raising of $1,300,000,000 to finance the farmers, the allocating of this money geographically, and the lending of it in small sums, many fat perquisites have grown up which render this huge land bank machine a new dollar force in American politics. Some of the hidden emplacements are as unsuspected by the public as those for German World War guns. In political hands insidious capacities have been developed. The whole machine is out of the control of the farmer stockholders, whose money is being spent by officeholders, whose farmsteads—worth two or three billions—are pooled as the basis for credit, and whose very independence may prove to be at stake. Burdened with debt, subject to policies which may be merely the result of incompetence, and with recourse only to Congress, which has so far proved insensitive to appeal, where do the farmers come out? Or do they?

Considering the powers of the machine which raises the funds. The Federal land banks issue bonds two or three times a year—subject to the approval of the Federal Farm Loan Board—to be sold to the general public. Valuable privileges, of course, inhere in the control of the sale of these securities. For 11 years one syndicate of investment houses has had exclusive, preferential control. The members of this syndicate include the National City Co.; Harris, Forbes; the Guaranty Trust; Lee, Higginson; Brown Bros.; and Alexander Brown & Sons, of Baltimore.

An Assistant Secretary of the Treasury, C. G. Dewey, has testified that the rate of interest on these bonds is developed by these investment houses underwriting the bond sale. The law automatically fixes the rate of interest paid by farmers for their loans at 1 per cent higher than the rate paid to investors for use of their money; therefore the syndicate has the power to develop the farmers' interest rate. Furthermore, the syndicate influences, if it does not determine, the amount and time of issue of these bonds. To maintain the supposed nation-wide distribution, it has organized a secondary syndicate. Membership in this subsidiary is never divulged nor is any account given of the sales made by it. But the first and second syndicates together have held a virtual monopoly of the bond sale. The Federal land banks and their fiscal agent have sold directly a very small percentage. Outside houses must secure bonds, if customers want them and any are available, from syndicate members. Thus the syndicate has enjoyed a virtual mastery of the terms, and the amount and time of funds allowed to flow through the farmers' system; this is contrary to the intent of the law, which granted the bonds tax exempt to help farmers secure the best terms, the lowest interest, the amounts they needed, and independent control of their own financial arrangements.

The financial credit community may, as H. G. Wells suggests, have no mind. But certainly its behavior, when it is deemed necessary to sustain interest rates, indicates that at least it has instinct—overpowering instinct. Presumably the whole banking world opposed the farm loan act for the reason that, if nonprofit or cooperative banks succeeded in lowering the farmers' interest rates, other groups than farmers might demand equal privileges, including tax exemption, from Congress.

And when the act passed, despite this opposition, it was surely not wholly accidental that the first political appointees were men who, as the first annual report shows, had no conception of the character of cooperative credit. In organizing, they laid down policies which to-day tend to prevent stockholder control of even the local farm-loan associations.

The problem of selling these bonds called for genuine ability. Mr. Griswold, of Alexander Brown & Sons, saw financial advantages in this job; obviously if the bonds were properly introduced their sale might run to hundreds of millions, and the commissions, although low, would at least guarantee a steady business. Financiers, once convinced, displayed tardy patriotism. Exclusive, preferential control was granted. Perhaps no one at that time could have dreamed all that this might one day mean.

But observe what has happened. The law contemplated the widest possible distribution of stockholders among small investors (hence the small denominations of bonds) and a method of distribution that would make these securities available continuously.

Instead, the sale has been periodic; large customers of the syndicate took most of the offerings; there has been a narrow distribution among corporations and individuals with incomes in the higher tax registers. Since these bonds are tax exempt, it is possible for such buyers, as Eugene Meyer has testified, to save 13½ per cent on their income taxes. Efficiently enough, the syndicate has sold twelve hundred millions of land-bank bonds, yet certainly the law did not contemplate that income-tax evaders should be able to get them easily, while small investors, unless they happened to be syndicate customers, obtained them only by special effort.

For many years this exclusive arrangement between the banks and the syndicate was maintained without contracts, first by the Federal board, and later by the fiscal agent, Charles E. Lobdell, former farm-loan commissioner, who resigned December 31, 1928. The control of this vast business was left to personal agreements, awarded by political appointees. Were Treasury certificates or Government bonds disposed of in this manner, bitter criticism would be provoked, no matter how reliable the firms which benefited. And criticism is no less deserved here, for, under this system, the Government has assumed somewhat the position of a trustee toward the farmers' banks. What redress, without legal contracts, have stockholders in case of error or dishonesty? Without the taking of competitive bids for the privilege of handling such bond-sale contracts, how do stockholders, or the board, know that the distribution could not be made cheaper or the money secured elsewhere at lower cost?

Active hostility to this system still flourishes in various quarters of the banking world, notably, of course, among the old-line mortgage group. It appears to be startling news, however, that the leading rival of the primary syndicate, Kuhn, Loeb & Co., has, from the first, consistently refused to sell farm-loan bonds. Presumably this boycott is shared by houses sympathetic in financial policy, or otherwise allied, to Kuhn-Loeb. That firm "does not advise Federal land-bank bonds" for investors. Its heads have never believed in the principles of the system. Since they can scarcely be held less patriotic than the "Morgan group," why this disbelief? Is it merely a coincidence that they do not participate in the primary syndicate?

It can now be clearly seen that the fiscal policies approved by the Federal Farm Loan Board have left the stockholders in a position of helplessness. Yet the officeholders, who let out the bond-selling privileges have seemed satisfied, provided there was no danger of losing their jobs. The investment firms who secured exclusive, preferential control have been content. Neither wished the contractless understanding to be disturbed; for what might not happen if the stockholders took over the management? In considering what did happen to the stockholders, these facts must not be lost sight of. It is ever interesting to reflect on the contrast between the congenital distrust of farmers shown by politicians and the pathetic trust of farmers in the Government, whatever its representatives.

For four years political administrators fended off trouble. By 1919 farmer-stockholders of the banks were entitled to elect the directors of most of their district land banks and to begin managing them. These directors, a clear two-thirds majority, were to set fiscal policy, including that for bond-sale arrangements, subject to the Federal Farm Loan Board's approval. Yet no elections were called. When the farmers and their organizations investigated, they discovered that during the war an amendment had been slipped through which deprived stockholders of the right to operate their own banks. When the Treasury, anxious to keep farm-loan bonds out of the way of Liberties, had secured power to buy a hundred millions of Federal land-bank securities, a clause had been inserted providing that the temporary boards of the banks—all political appointees—should remain in office as long as the Treasury held any land-bank bonds.

Dissatisfaction became acute, and the Federal board realized that new action was necessary. Amendments were prepared, introduced, and effectively supported before the House depriving the stockholders permanently of their clear majority control, substituting a camouflage of 50–50 control, by which the farmers were to elect three members and the Federal board to appoint four, to each district land-bank board.

To assure the enactment of this provision, another neat device was employed: A conference committee slipped this rewriting of the farm loan act, which the Senate had not had a chance to consider, between two bills which had already passed both Houses. The head of the conference committee, Senator McLean, on reporting the compromise measure, omitted to inform the Senate of the real import of Title III. Undiscussed and unread, the measure advocated by the Farm Loan Board became law. According to Senator FLETCHER, its real effect was a quasi confiscation of farmers' property rights in the land banks. It left these stockholders the only owners of enterprises in the United States who had no control of their own concerns, a right declared by

the Supreme Court to be vested in the ownership of stock. At last, after six years free from disturbance by stockholders, the first elections of directors were held—but became the source of fresh grievances, because of indefensible redistricting and electioneering methods countenanced by the board.

What a perversion of good intentions? Congress, benignly wishing to help agriculture, had granted a great liberty, by which farmers were to gain the leverage of credit. Politicians seized this power. Financiers gained and held prized privileges, which counteracted the good that real leverage might have achieved for the farmers. Congress, in short, having thoughtfully given, carelessly took away, and the stockholders now find themselves practically incapable of disturbing appointees or affecting fiscal policies.

The financiers develop the interest rate. Political administrators deflate land values through the very land banks themselves in tune with the prevalent conviction that prices must go down. As a result, many farm families lose their farmsteads, which are their only means of livelihood. It is a national situation; but can the political-financial community be investigated?

Meanwhile, there is another ugly aspect of the matter: The amount of bonds sold to provide funds to lend through this system has materially decreased year by year since 1923. In 1927 some eighty million dollars (*as against* $225,000,000 in 1923) were actually loaned by land banks to farmers. Applicants in all sections of the country were in desperate need of large loans at the lowest possible interest, but many of them could not be supplied. This was precisely what Senator CARAWAY complained of in his own bailiwick.

Now, consider certain parallel facts: As these funds diminished year by year the joint stocks steadily outloaned the Federals. Mr. Melvin E. Traylor, head of the American Bankers' Association, is heavily interested in joint-stock land banks. In fact, the whole system competes with the Federals. With the farmers' own system slowed up, the private joint stocks had a free hand to get more business. Their rates, of course, are higher.

When questioned concerning the apparent limitation of the Federal land banks' issue and sale of bonds, members of the Farm Loan Board have evasively suggested that the saturation point for the sale of land-bank securities on the market had perhaps been reached.

But this was not the case in 1927, when the farmers only got $82,000,000; for 177,000,000 were actually sold. The other ninety-odd million were used to buy back from the Treasury and retire the bonds bought during the war.

Why, with farm distress still prevalent, should the administration have been moved to sell out? If the handsome figures provided by the banks and the Federal board have been honest, why should the Government have withdrawn while agriculture was admittedly still in need of every help it could get? Had the Government held on, the farmers might have secured at least that 90,000,000 at a low interest. Who advised the Government to unload? What apprehension prompted it—or was this, too, merely a case of muddling through?

The Federal Farm Loan Board, of which Eugene Meyer has for 18 months been the head, must approve the fiscal policies of the Federal land banks and Federal intermediates. It must approve every issue of joint-stock securities. Will this limitation of good-term credit to farmers go on? Will the recovering joint stocks again outloan Federals? Will exclusive, contractless, secret agreements govern the sale of farmers' land-bank securities?

It is rumored that more money is to be spent in advertising Federal land-bank bonds. Will the new arrangements, made by whoever takes over the fiscal agent's duties, continue to feed Wall Street and starve Main Street? The first step to be desired is independence for the stockholders of the Federal land banks, and the restoration to them of the once guaranteed, and certainly deserved, control of their own credit pool.

POLITICS IN THE FEDERAL FARM-LOAN SYSTEM

By Gertrude Mathews Shelby

The phrase "politic economy"—Professor Soddy's description of unscientific current attempts to regulate economics through politics—might have been coined to fit certain functions of our farm-loan policy. Consider the extraordinary powers of the land-bank system, which parcels out from one to two hundred million dollars a year in loans to farmers. The operation of these banks requires some 2,000 persons, exclusive of joint-stock bank positions; the total number of employees has not been made public. Yet none of these 2,000 places enjoys the protection of civil service. Certainly there is no other plum tree of patronage in our Government that is so tempting, with the exception of post offices, and post offices lack the attraction of funds to distribute.

By the farm loan act the President is empowered to put this system under the classified service. "The exception of the Federal Farm Loan Board from the rules of classified service is indefensible," says Mayers, an authority on the subject, in his book The Federal Service. "Nothing regarding the field forces offers any reason for modifying this characterization. Should an appointment to such a position as that of appraiser be made for political reasons, the appointee would be peculiarly subject to improper influence, a danger particularly to be guarded against in this service."

In his acceptance speech Herbert Hoover said: "Our civil service has proved a great national boon. Appointive office, both north, south, east, and west, must be based solely on merit, character, and reputation in the community in which the appointee is to serve." As President, will Mr. Hoover deny to farmers who own the stock of the Federal land banks, and to taxpayers, who paid in the Treasury funds used to capitalize the intermediate-credit banks, the benefit of this great national boon?

Nothing less than an Executive order will protect the country from certain obvious abuses of political banking. Without the maintenance of the strictest standards of selection, based on competitive examination, lame ducks are sure to be consigned to any system as a haven—witness the old Pension Bureau.

In no service are safeguards against this sort of thing more important than in this greatest of all, our banking systems. Possible loans influenced by political considerations, and even waste merely due to incompetence, are hazardous alike for investors, stockholders, and citizens. It should be remembered that obligations are outstanding to the extent of $1,250,000,000, described by the Supreme Court as "Government instrumentalities" and sold under that guaranty.

Yet, in some degree, nepotism has existed in the land-bank machinery from the first. Members of the Farm Loan Board, of the district land banks' boards, of the Senate, and even a President have obtained jobs for relatives and friends who were not qualified by previous experience for the sort of work to which they were assigned.

Patronage is now, to be sure, more circumspect than when President Harding put his cousin, a retired minister, into the Farm Loan Bureau as reviewing appraiser. Nor is it quite so crude as when Lobdell, former farm-loan commissioner, admitted that his two sons, a cousin, an old friend, his wife's former dressmaker, and the dressmaker's nephew were all on the pay roll. In 1926 the Federal board gravely passed resolutions discouraging nepotism in the 12 land banks, which employ some 800 persons. Some men were dropped, among them the cousin of a certain bank president. Certain others not related to present officials upon the circumstances of whose appointments time has laid a covering hand were retained; among them the treasurer of a great bank. The fiscal agency for the banks appear not to have been affected by these resolutions. Until the end of 1928, Lobdell headed that organization, with a salary of $25,000 a year, which would not be possible under classified service. The approval of all his policies by the Federal board was necessary. One of the young Lobdells was employed in this agency until the summer of 1928.

The Federal board itself would also seem to have been an exception to the rule. It can not claim a clean record while it remains true, as it does, that not even the best-qualified mortgage banker could get a job as president of a Federal land bank unless he is backed by senatorial influence. Examples of this sort of nepotism are not lacking. The son-in-law of one of Mr. Hoover's most important advisors is head of a great division of the Federal bureau. His rise in the system has been amazingly rapid, and he now enjoys the same salary as the Secretary of the Treasury. He came to the system quite green. His ability to handle the political phases of his job is unquestioned, but certain stockholders feel very differently about his competence as a judge of risks. Again, the nephew of a member of Mr. Hoover's Cabinet has long been an examiner in the system. Removing him on the ground of alleged incompetence was considered, but the idea was abandoned on the ground that it would be "politically inexpedient."

Until two years ago, when the Treasury began to name examiners and other appointees to the Federal bureau, these places had been considered senatorial patronage for both Republican and Democratic Members of the upper House. The political appointees who served as examiners were either so few or in some cases so conspicuously incompetent that improvement in the situation was imperative. The Treasury has recently required examiners to pass tests, but the freedom of appointment is still sufficient to allow plenty of loopholes for the unqualified person with the right sort of influence.

Appraisers are as important as examiners, and their incompetence has been terribly expensive. Eugene Meyer, testifying before a congressional committee, stated that the troubles of the system were by no means all attributable to the agricultural depression. "When the receiver of a bank says that a lot of loans were made in that bank as agricultural loans on lands that were agricultural lands—loans which never should have been made—that has nothing to do with agriculture," he said, and added: "It was enough of a factor to put one bank in receivership." He referred to the Spokane bank, but he also said that "I do not think the Spokane territory has any more or greater problems than the Berkeley territory or other territories." There has also been acute trouble in Columbia and St. Paul.

Berkeley's troubles, while the least of the four mentioned, illustrate well the conflict between politics and sound banking. The bank serves four States—California, Nevada, Arizona, and Utah. In the last named, several thousand loans "went bad." Foreclosures were made

on farms worth, at the present conservative valuations, $500,000. This amount represented two-thirds of the Berkeley bank's land holdings as of six months ago. This disgraceful record of bad appraisal was made despite the fact that several of the appraisers who passed the loans were from Utah. It is impossible to avoid the question: How did such grossly incompetent appraisers get into the system? Did somebody exercise political "pull" on their behalf; and if so, who?

These loans were made despite the fact that three or four members of the Berkeley District Land Bank Board have always been from Utah; in 1928 there were four, which is a majority of the board. Two appraisers are to-day from Utah and pass on loans in that State. For some time a relative of a Utah Senator was district reviewing appraiser, and several years ago he was appointed to a post of authority in Washington. It is not surprising that Utah is credited with having more than her share of available funds to lend. Long ago the farm-loan system abandoned the attempt to supply loans on every approved application. If there is not enough to go around—and there never is—the banks may reject applications outright or, perhaps, fail to grant enough money to satisfy the borrower. The money is unequally allotted between districts, according to alleged need; the banks then divide between States or parts of States. A powerful Senator may be a good go-getter; a large share loaned in his territory might mean votes, or even the difference between keeping and losing his seat. Perhaps he says nothing; if he has proved himself useful in Congress, to the board and the banks, it may not be unnatural for those in authority to allow a large quota of funds—of course, without favoritism—to his district. Or, perhaps, this little pig actually goes to market, regardless of others who get none. For he reasons that it may be useful to have appointed men to jobs in the money mart.

Now, State pride alone might be a factor in unjust distribution of money, possibly resulting later in losses. If so, with 48 proud States, heaven help the farmers who own these lands! Yet the method of making loans, with stockholders not in control and civil service lacking, shows no adequate protection against that sort of thing nor against possible political-spoils considerations. When a local farm-loan association recommends a loan, a Federal appraiser is sent to examine the land; he in turn recommends whether to reject the loan or, if to grant it, in what amount. The reviewing appraiser for the district then has his chance. Bank officials may rule out a specific loan or entire areas. But, if approved, applications are forwarded to Washington. The Farm Loan Bureau's reviewing appraisers make the final decision, subject to the approval of the board itself.

Similarly prejudiced appointees in the field force of appraisers on the bank's staff and in the Washington bureau might constitute a line-up which would effectively sidetrack farm-loan welfare. If such officeholders, who are not directly responsible to stockholders, happen to be grateful to politicians who have got them their jobs, is it not probable that sentimental or political considerations might affect both the division of funds between States and possibly also the granting of specific loans?

While loans on good lands were refused in California, asserts the California Farm Bureau Federation, Utah loans, on poorer lands, were generously granted; $15 more per acre was loaned by the Berkeley Bank in Utah than conservative joint stocks averaged. Certainly losses piled up. Of 199 risks judged by a Mr. Cardon, 5 per cent are said to have gone bad. His assistant, Hatch, reported in 1924, "* * * it is undoubtedly true that we have loaned too much per acre." And J. W. Paxman, appraiser, also wrote, in 1924, regarding three specific Utah loans, of $5.13, $7.81, and $11.86 per acre, "The lands were once dry-farmed—at least about 280 acres of them. They haven't been farmed in the past three years, and are of no value except for grazing. Such lands, fenced, would ordinarily sell for $3 to $5 an acre, but under present conditions it is very doubtful if a purchaser could be found who would give $1 an acre for them." Yet in 1925, despite the separate reports of 1924 by Hatch and Paxman, the average loaned by the Berkeley Bank in Utah rose from $64 to $65 per acre.

If it were not for the division of places between the Republicans and Democrats bad conditions could long ago have been greatly improved. But even now, when reform is proposed, some legislator is sure to run protesting to the party leader, saying, in effect, "We must keep still about this system—remember that there are a billion and a quarter of bonds out. And besides, I got So-and-so his place, and he must be protected."

As they have found themselves secure, the leaders of the land-bank machine have become more aggressive. They have used their influence to affect legislation. The land-bank presidents maintain a legislative committee to recommend congressional action. Members of this committee, whether in Washington or at home in their banks, have developed means of pushing bills they favor and blocking those they fear—of course, in the name of the stockholders. Thanks to a number of Democratic appointees, who are grateful to the administration for their daily bread and cake, the land-bank machine seems to have been in an excellent position recently to pull the donkey's leg for the benefit of the Republican elephant. Certain Senators, appealed to by Democrats whose appointments they have indorsed, appear to stop or go as this legislative committee suggests. Consequently bills which might correct glaring abuses are never reported, while frequently legislation adverse to stockholders' interest is enacted; or appointments are confirmed when nominees are unqualified. Bipartisan influence, amounting to party coalition in defense of the existing régime, has grown amazingly strong.

Furthermore, in various districts the land-bank machine maintains federations of the key men of local associations, the secretary-treasurers. By the policy of the board and banks these are usually not stockholders but outsiders, local business men.

If the legislative committee and the bank advocate or oppose certain action it often happens that letters and wires pile up on the desks of certain committee members in Washington. Hearing from the boys in the associations back home the members naturally may be influenced in their decisions. The land-bank machine has used a shrewd technique to get what it wants from Congress, and the Federal board itself sometimes takes the lead.

Even while the amounts for lending have decreased, the expenses of this system have steadily swelled. To operate the Washington bureau the Federal Farm Loan Board levies assessments upon the banks—land, intermediate, and joint stocks—proportionately. Estimates must be submitted to the Director of the Budget and Congress appropriates, but since it is not taxpayers' money, Congress only in effect ratifies board action. For the operation of the Federal land banks—again no total figures are available—estimates bring the amount above $2,000,000 annually. It appears that the expenses exceed the legal amount of 1 per cent spread allowed for operation under this act. It is notably negligent of the Federal Farm Loan Board not to supply Congress and stockholders annually with all the needed figures by which the administrators' consistency with the law and with actual services rendered might be judged.

Mr. Hoover has farmers' and taxpayers' immediate relief, if not their ultimate protection, in his own hands. On March 5, if he wished, he could issue an Executive order. Besides his advocacy of civil service for appointees, he acknowledges agriculture to be our most urgent economic problem; he also deplores indifference to public corruption. Only less important than the farmer's income is his outgo for interest and amortization on his mortgages. To neglect this important phase of farm relief would expose Mr. Hoover's sincerity to challenge.

The greatest threat in the farm-loan system, to farmers and citizens alike, comes in its management. The banks depend on the character and skill of the men who run them, and the character and degree of supervision exercised over their acts. The institution as it stands suffers from inherent weaknesses. With the exception of Indians, minors, and wards of the State no group is so helpless as the 500,000 farmers who turned for assistance to the land banks which were to have been their deliverance.

It is highly improbable that the board will recommend even that the Federal employees of the system should be put under civil service. Mr. Meyer has praised several recent appointments on the ground that men have been chosen who could not have been induced to take office at the rates of pay possible under civil service. Appointment has some advantages, in the hands of honest and competent men; but for a system such as this, handling colossal funds, the civil-service principle is unquestionably superior.

The basic remedy lies in taking the entire rural-credit system out of politics. To be sure, this would not be a simple matter, since the Government owns the intermediate banks. If the Government is compelled to remain in the banking business, it might logically go further into business, buy out the farmers who own the Federal land banks, harmonize these banks with the intermediate, and attempt a really social control of credit, assuming all responsibility.

The other course is to pass Senator HOWELL'S pending bill to return the control and management of their own land banks to the stockholders. But to do that, without making good the losses which have occurred under political control, would be to hand the farmers another gold brick. Once they secured control, the stockholders could pay for the application of able minds to bank problems; with justice done, the farmers may still enjoy the advantages to be derived from liberalization of credit, advantages which they earned when they took the risk of pooling practically all their possessions in this great venture.

EXPERT DECLARES FARM-LOAN SYSTEM A GIANT POLITICAL SPOILS SYSTEM

James B. Morman, leading financial writer, author of numerous works on farm finance, especially the Federal farm-loan system, and for years a technical man on the staff of the board, in his recent book, published by the Macmillan Co., declares without reservation:

"As a result of the political development of the Federal farm-loan system, it is without question the most gigantic spoils system in the United States. It is a runaway star in the rural-credits constellation. It is at present beyond the control of the Government and of Congress—an exploiter of the public as taxpayers and of the farmers as stockholders. * * * The enormous profits have been wrung from the small income of farmer and are being used to enlarge the bank accounts of political appointees who are thus enabled to clothe them-

selves in purple and fine linen and fare sumptuously every day while many of the farmer borrowers and their families are lacking in the simplest things required to maintain the standard of living of the poorest American home."

[Extracts from statement issued March 2, 1929, by Hon. LOUIS T. MCFADDEN, Member of the House of Representatives, chairman of the Committee on Banking and Currency, with relation of the Federal farm-loan system]

FLAGRANT FAILURES OF THE FEDERAL FARM-LOAN SYSTEM

I wish to direct your attention to the treatment our farmers have received at the hands of the Government agencies, including the Federal Farm Loan Board. For years the thing farmers wanted was credit. They first wanted long-time rural credit and we passed the Federal farm loan act of 1916. As one of the results of the investigation made by the Joint Agricultural Commission of Congress in 1921, the farmers' demand for intermediate credit, i. e., for a period of not less than six months nor more than three years, was met by the Congress passing the agricultural credit act of 1923. Under the Federal reserve act of 1914, with its amendments, the Federal reserve bank was, upon the indorsement of its member banks, to discount notes, drafts, and bills of exchange issued or drawn for agricultural purposes or the proceeds of which were to be used for such purposes—the Federal Reserve Board to determine or define the character of the paper thus eligible for discount within the meaning of the act; but notes, drafts, and bills thus admitted to discount were to have a maturity at time of discount of not more than 90 days. It was, however, further provided that any Federal reserve bank might discount an acceptance, indorsed by at least one member bank, provided such acceptance was drawn for an agricultural purpose, secured at the time of acceptance by warehouse receipts or other such documents conveying or securing title covering regularly marketable staples, such acceptances to have maturity at time of discount of not more than six months' sight. There was a further provision that upon the indorsement of any of its member banks any Federal reserve bank might, subject to regulations and limitation to be prescribed by the Federal Reserve Board, discount notes, drafts, and bills of exchange issued or drawn for an agriculture purpose or based upon livestock and having a maturity, at the time of discount, not exceeding nine months; and that such paper might be offered as collateral security for the issuance of Federal reserve notes if the maturities did not exceed six months, and also if these maturities did exceed six months, provided they were secured by warehouse receipts or other such negotiable documents conveying or securing title to marketable staple agricultural products or by chattel mortgage on livestock which was being fattened for market.

It was undoubtedly thought by the public and by the majority of the Members of the Congress that with the passage of the agricultural credit act provision had at last been made for the extension of all classes of credit required by the farmers. The doctor had rolled the credit pill for his farmer patient. It was at least evident there had been quantity legislation. In order that we may correctly determine whether or not this dosage was efficacious, i. e., whether this legislation was complete and of good quality so far as development and prosperity of agriculture is concerned, let us a little further describe the machinery and then examine some figures and facts. It must be remembered at all times that the advantage thought to be obtained by these laws was, as stated in the Federal farm loan act, "to provide capital for agricultural development, to create standard forms of investment based upon farm mortgages, to equalize rates of interest on farm loans," and as stated in the agricultural credits act, "to provide additional credit facilities for the agricultural and livestock industries of the United States." Under the Federal farm loan act 12 Federal land banks were set up and the capital was subscribed by the Government. These banks were under the management of the Federal Farm Loan Board, which was authorized to grant charters for the joint-stock banks, which were to engage in the same business as the Federal land banks. In retrospect this semiduplication was probably not worth while. The Federal land banks were to make no loans except through so-called national farm loan associations, which were to be created by methods prescribed, or through so-called agents, being banks or trust companies chartered by the State wherein they operated. To no one borrower were these Federal land banks to lend more than $25,000, with preference expressed for the borrowers of $10,000 or less. The joint-stock banks did not have this limitation. Both sets of banks were limited to loans not exceeding 50 per cent of the value of the land mortgaged and 20 per cent of the value of permanent insured improvements thereon, such values to be ascertained by methods of appraisal. The action of each Federal land bank was confined to its bank district. The action of the joint-stock bank was confined to its State and adjoining States.

The purposes for which the borrowed money could be expended were specifically set forth when the loan was made of the Federal land banks, but the joint-stock land banks could lend for other purposes than those specified as limiting Federal land banks. The Federal land banks could lend only to persons who at the time were engaged, or within a brief time thereafter were to be engaged, in the cultivation of the farm mortgaged. There was no such specific limitation placed upon the lending of the joint-stock banks. Both sets of banks were to offer to the public tax-exempt bonds based upon their mortgage holdings. The Government made no subscription to the capital of the joint-stock banks. The Government's subscription of capital to the Federal land banks, to a total of approximately $9,000,000, has to date been paid down to approximately $439,000 by deductions from earnings. As under the act, these Federal land banks could increase their capital indefinitely, there really was no limit to the amount of this long-time farm-land credit. On September 30, 1928, the combined capital stock of the Federal land banks was over $64,000,000, and of this total nearly $63,000,000 was owned by national farm-loan associations as against approximately $750,000 owned by borrowers through the State banks acting as agents of these Federal land banks. As above stated, the Government's investment is now something over $400,000 only. To understand how it came about that these farmer associations now own practically all the capital of the Federal land banks, it should be explained that by a provision of the act a borrower was and is always required to devote 5 per cent of the sum borrowed to purchasing shares of the capital stock of these Federal land banks, and that upon his making such purchase it was and is required that his shares be put up as collateral, and it was and is further specified that when the debtor pays his debt the amount he has been required to pay for his shares is returned to him, and thereupon his shares of such capital stock are canceled.

Thus he is made to become a stockholder, and 5 per cent of the capital he borrows is never delivered over to him, although he pays a fixed rate of interest on it and is given as an offset problematical earnings on such stock during the period of time he was permitted to hold it. In fact, there was a provision in the act that this stock could be retired at par at the will of the bank. Therefore, without his consent, if ever the earnings on his temporary stock holding should equal or exceed the interest he was being charged upon this money which he was never permitted to use, these Federal land banks could reverse the position as to liabilities and give the farmer the heavy end of the load. The result in operation of this grinding out and then canceling stock, with its never being in their possession except as above noted, is that the Farm Loan Board is the bank. They have always run the whole affair. They are responsible for all that has taken place, and this condition of authority and control is likewise true as to the intermediate-credit banks, and nearly equally true as to the joint-stock banks.

Again, witness how this machinery operates disastrously to affect the farm-land investment of the farmers as a whole, whether or not having any direct or indirect relation to this set of Government banks, when in a period of extraordinary deflation, the farmers face a great emergency. If read with right intent, this act, as all others having to do with farm relief should be interpreted to mean the machinery set up under it would at all times so act as to assist in stabilizing the farmers' business and investments. When we say "to provide capital for agricultural development, to create standard forms of investment based upon farm mortgages, to equalize rates of interest upon farm loans," and so forth, the farmer's contention is correct that we have expressed our purpose to assist him. When could such purpose be put to a greater test than when he is met with such an emergency as the recent deflation in farm values?

If any agency of the Government had power to be influential at such a time in stabilizing farm-land values, it was this set of Government banks. They knew that due to no fault of the farmers themselves, but to unbalanced economic conditions following the World War, as was clearly shown at the hearings of the joint agricultural investigation committee in 1921, and the abruptness with which the deflation was set in motion, in part, at least, through governmental agencies, there were no buyers for farm lands; and yet the Federal Land Board retained its policy of compelling the Federal land banks to charge off all real estate as and when acquired, except the Federal Land Bank of Spokane, which was permitted under certain conditions to include real estate in its assets. The farmers maintain not only that this practice, together with publicity given it, was a material factor in the further deflation of farm values, but also and particularly that such practice so affected the balance sheets of these Federal land banks that the officers thereof, in order to make a good paper showing, were forced to sell these lands. They further contend that one of the promised advantages of the enactment of the Federal farm loan act was to be prevention of unnecessary deflation of the farmer's permanent investment—that is, his land—that the land banks were empowered to hold the land for a number of years if necessary, and that no interest rate or depreciation was set; that these land banks were, therefore, in much better position to hold than were the commercial banks or insurance companies; that the appraisals of the Federal land banks, as we have seen, were always so extremely conservative that eventual loss could not possibly have taken place unless the whole country went into actual bankruptcy; that these banks dumped their land on the sluggish, deflated, and declining farm-land market at a time when deplorably low prices prevailed; and that thereby a further and horizontal deflation took place which was wholly unjustified. They cite as an example that one of these land banks sent to the auction block in one batch parcels of land worth well over

a million dollars, and received therefor three hundred and odd thousand dollars only.

As is pointed out by one critic, the indirect economic loss to the community and to the country through such actions by the Federal land banks was much more serious than the direct loss to these banks, because values of securities behind all good farm loans were accordingly affected and reduced and the equities of farmers in no way related to Federal land-bank loans were thus written down or wiped out. The farmers contend there is great unbalance in the economics of the situation when such conditions as those just described can obtain and yet at the same time bonds based on their mortgages can be sold bearing 4 per cent interest. Was it because the average security was overample that the Federal land banks could afford to continue this charge-off policy at a time of great deflation in defiance of the spirit of the farm loan act? They have a right to ask how it comes about that in the United States under our Federal farm-loan system the advancements as loans are little more than 25 per cent on valuation, whereas in England, for example, under her loan system the advancements as loans are up to two-thirds of valuations under appraisals, and even then the rate of interest charged there is less than here. Anyway, they ask, is it worth consideration now whether or not any American farm borrower is assisted in the long run by being placed in a position to borrow at low interest rates up to a small proportion only of even these banks' appraisals of his holdings through a management so overconservative in lending as that it can and does write off all lands acquired and dump large blocks of same at auction on a highly deflating land market in such times as agriculture has been and is experiencing, thus everywhere shrinking or wiping out equities over and above these low loan values.

Are we to continue to remain so far aloof from the activities of these governmental banking agencies, reputedly created to assist in farm relief, that now in the time of the farmers' great distress, we would witness, without objection, any such reappraisal? Shall we thus permit the fixing of farm-land prices for the different parts of the whole United States and for a decade to come, on appraisals based on present earnings, under what is on all sides admittedly a wholly unbalanced condition, which must be remedied if the prosperity of not only agriculture but also the whole country is to be vouchsafed?

I believe the farmers are entitled to have the fog removed from this whole Federal land banking situation; that they are right in their contention the purpose of the original act was to open credit directly to them at a price to be determined by open bidding and not private underwriting of their bond offerings as has been the practice of the Farm Loan Board from the beginning; that they are right in their contention their ownership of stock should longer remain a fiction but be recognized as a fact, they having paid $63,000,000 for it, and the Government's stock holding now amounting to only a little over $400,000. Shall we set up a credit organization like these Federal land banks for farmers' relief, compel them to buy nearly all its stock but allow them to assume no responsibility or have any authority, and then so manipulate the machinery as not to permit these farmer owners to save themselves, protect their families and their property?

I am a hearty supporter of Mr. Hoover's declaration:

"It is false liberalism that interprets itself into the Government operation of commercial business. Every step of bureaucratizing of business in our country poisons the very roots of liberalism—that is, political equality, free speech, free assembly, free press, and equality of opportunity."

[Extract from an address delivered on the floor of the Senate by Vice President Charles Curtis, as Senator from Kansas]

LET THE FARMERS OPERATE THEIR OWN LAND BANKS

Under the syndicate arrangement adopted for selling farm-loan bonds it looks as if brokers get the premiums and that the land banks are getting no particular advantage from the tax exemptions of their securities. Would it not therefore be better to let the farmers themselves manage these banks exactly as the law intends? The only change necessary for this would be to give the farmers the entire responsibility for the system and oblige them to operate on their own unquestionably good credit.

This is the secret of the soundness and success of innumerable borrowers' banks of various kinds, among which failures are rarer than among ordinary banks. The 65,000 cooperative credit societies, with 15,000,000 members and $7,000,000,000 of annual business in the world, are based on this idea of using their own credit and of imposing upon members a liability that is either unlimited or else severe enough to be felt. The cooperative bank with unlimited or limited liability has proved its worth wherever tried, in country, town, or city, for encouraging thrift and extending credit in large or small amounts.

The same idea prevails in all true building and loan associations among the 7,269 with 3,858,612 members and $1,769,142,175 assets in the United States. Any member getting a loan must subscribe for shares up to its full amount. His payments are made not on the mortgage but on the shares. When the shares mature he may turn them in and have his debt canceled. The maturing of the shares depends upon his payments and also upon the association's profit and loss. All his credits could be wiped out by a loss, consequently he is liable to the full amount of his mortgage. Profits would hasten the extinction of his debt; and so he is as deeply interested as are nonborrowing members. As a result these associations can operate even on savings with safety, although the borrowers participate in the management.

The landschafts, started 150 years ago, are composed entirely of borrowers. They now number 23 with about $1,000,000,000 of bonds, and none of them ever defaulted an obligation. The borrowers elect all the officers and appraisers, every one of whom must also be a borrower. The borrowers' payments go into a sinking fund, in which the cash on hand, together with the unpaid principal of the loans, must equal outstanding bonds. If this fund becomes impaired in the old landschafts, any member may be assessed without limit for the deficiency. In some of the newer landschafts the liability is limited to the mortgage or some portion of it. But the basic idea in all is that the borrowers have the direct management, use their own credit, and assume liability large enough to be felt.

Nearly all American districts established under State laws for sanitary, mining, or agricultural drainage embody landschaft features. Their bonded indebtedness amounts to millions of dollars. The bonds are not instruments of the State or Federal Government. They are obligations only of the districts. But through the district's right to levy assessments they are secured by the collective ability of the owners of the benefited property and so are easily marketed at reasonable interest rates, although these beneficiaries of the issue also elect the managers.

With these successful instances of borrowers' banks here and in foreign countries, Congress should not hesitate or delay in placing the Federal land banks under the management and the responsibility of the farmers. By so doing the farmers, and not rich investors, would get the advantage of all premiums on the bonds.

[Reprinted from the Chicago Journal of Commerce August 1, 1929]

WHAT BUREAUCRACY IS DOING TO INSTITUTIONS ORGANIZED UNDER GOVERNMENT SUPERVISION FOR FINANCING THE FARMER

ROUND TABLE OF BUSINESS—BUREAUCRAT'S CIRCULAR LETTER THROWS LIGHT ON HANDLING OF LAND BANKS

By Glenn Griswold

In just a minute we are going to permit you to read a State paper promulgated by one of the great gods of bureaucracy. You will not believe it, but it is genuine. We have the original in front of us.

Furthermore, the full force and effect of it is being brought to bear to-day upon no end of bank presidents and bank office boys, not to mention vice presidents and porters, cashiers, and scrubwomen. But before you read the letter you must know a little more of what it is about to appreciate it.

It is addressed, as you will observe, to joint-stock land banks, among others. There are to-day in good standing 49 joint-stock land banks and 3 that are in receivership. They have outstanding loans to farmers totaling $601,120,000. They are owned by many thousands of American investors, most of them little fellows, who paid in $41,745,000 for capital stock and $1,587,000 as paid-in surplus. The money that was loaned to farmers was largely provided by American investors who now hold bonds which say that the joint-stock land banks owe them $586,689,000.

All of the capital involved in the organization and operation of these banks was put up by private individuals. The stockholders elect a board of directors, who elect officers charged with the responsibility of appointing employees and running the banks.

The banks were organized under the urgings of the Government, seeking to help harassed agriculture. The theory of those who drafted the act and the intent of the act itself was that the Farm Loan Board should issue charters to these banks, being sure that honest and competent men sought the charters granted and thereafter to maintain approximately the same supervision over them that the Comptroller of the Currency and his 200 examiners maintain over the national banks of this country.

With that background in mind, read the letter:

TREASURY DEPARTMENT,
FEDERAL FARM LOAN BUREAU,
Washington, June 7, 1929.

To all Federal land banks, joint-stock land banks, and Federal intermediate credit banks:

There is being sent to you under separate cover to-day a supply of the new personal history and service record card, Form 1361, revised, which will be used hereafter in place of the blue No. 1361 card, the board having installed a new system for maintaining its personnel records. A copy of the new form of card is inclosed herewith. You will note the information required on the new form is more complete, particularly with respect to training and previous experience. This information will enable the board to pass more intelligently upon the question of compensation to be paid an employee. Therefore the board feels that it would be very desirable for each bank to submit at this

time a personal history and service record card on the new form for each officer and employee of the bank. It is requested, therefore, that such cards be filled out and forwarded to the bureau at an early date.

You will note that the face of the card headed "Personal history and service record card" is to be filled out by the employee on the typewriter or in ink, preferably on the typewriter, and signed by the employee. In the case of present employees it will be necessary for the bank at this time to make such entries under "service record" on the reverse of the card as will be necessary to bring such record up to date. In the future, when submitting cards for new employees, it will not be necessary for the bank to make any entries on the reverse side of the card, except on the first line under "service record." Your attention is directed to the columns headed "Concurrent connection with any other concern or institution." In these columns should be reported the name of any other concern or institution with which the employee is connected, whether a bank of the farm-loan system or not, and the salary received from such concern or institution.

Changes in personnel must be submitted to the board for approval at the time, or before, the change occurs, and, in the case of new employees, requests for approval of compensation should be accompanied by "personal history and service record card." In order that the board's records may show at all times the current personnel of the bank, the board should be promptly advised of resignations, terminations of appointments, and other separations.

In forwarding to Washington the new form, No. 1361, revised, the cards should not be folded but should be transmitted in large envelopes reinforced with cardboard. A supply of envelopes and cardboards is being sent to you with the forms.

This circular letter in no way affects the existing procedure with respect to the submission to the board semiannually of schedule showing bank personnel.

CHESTER MORRILL,
Secretary and General Counsel.

"Changes in personnel must be submitted"—"to pass more intelligently upon the question of compensation"—"Chester Morrill."

Great God!

[Reprinted from the Chicago Journal of Commerce, August 2, 1929]

ROUND TABLE OF BUSINESS—SLOW SOCIALIZING OF UNITED STATES BY WASHINGTON PASSES ALMOST WITHOUT NOTICE

By Glenn Griswold

We do not realize the extent to which this country is being socialized, the extent to which little bureaucrats in Washington are working their way into control of our business enterprises and supervising our daily activities from morning to night and from birth to death, unless we are in position to have repeated bits of evidence brought to attention.

We realize vaguely that laws are being passed and commissions and bureaus are fastening themselves upon one business after another; that doles and old-age pensions are being promoted by the Department of Labor; that progress is being made toward the federalization of our schools; that we have recently been on the very edge of passing Federal laws that would put Government wet nurses in our homes when the baby arrives; and that we are spending millions teaching the housewife how to can blueberries and make diapers waterproof. We know that the tax burdens entailed are tremendous, but we are seldom conscious of how they touch our own affairs.

Evidence of this lack of information and interest is to be found in the fact that farmers, farm organizations, and farm politicians are both ignorant and unconcerned, while a berserk bureaucracy is mismanaging and crippling all of our farm-land financing machinery and literally destroying an important part of it.

There was printed here yesterday a letter indicating that the Farm Loan Board, through its bureau clerks, is undertaking to manage and direct every possible function of 52 joint-stock land banks which were organized to finance the farmer and did a good job of it. These banks are wholly owned by private investors, but the president of one of them can not hire or fire an office boy without consulting some clerk in Washington who never saw either the bank or the boy.

This was intended merely as an absurd illustration of the heights to which bureaucracy has gone, but it is symptomatic of a situation that is destroying millions of dollars of private investments and wrecking an organization honestly erected to help finance the farmer; yet I have still to hear of a farm organization that is actively concerned in the matter.

The idea that a bureau clerk sitting in Washington can look at blue card No. 1361 and tell whether a bank teller is a fit person to be promoted to assistant cashier and what is a proper salary for him is more than absurd. It is asinine—asinine on the part of the board which promulgated such a rule, on the part of the Congress and the farm organizations which tolerate it.

I was about to say it is just as asinine on the part of bank presidents and directors who submit to it, but these poor devils were cajoled into organizing the bank by the falsehood that they were to be permitted to organize a corporation for profit and manage it under the supervision of the Federal Farm Loan Board, and were deluded by the promise that their securities would be considered instrumentalities of the Government. They are merely vicitims, and most of them dare not even resent Washington's insults.

Most of the joint-stock land banks are sound and well managed, and always have been. That they have succeeded as well as they have, in view of what Washington has done to them in the last two years, will always be a marvel to anyone who knows the facts. Their difficulties are due principally to two causes: The great collapse of agriculture in 1921 and the harassment and impairment of credit that have been put upon them by Washington.

In the face of these handicaps, 49 out of 52 banks still survive. The ratio of failures, assuming that the three banks really failed, is smaller than the ratio of failures of all the banks of the United States since joint-stock land banks were organized. And these banks, doing business solely in farm paper, were in a logical position to suffer more than any other sort of bank from the agricultural depression.

And yet the whole system has been treated as though it were a pestilence—the directors and officers of the banks have had the courtesy and the supervision that is accorded to inmates of a workhouse. It seems to be taken for granted in Washington that what the system needs is the espionage and supervision of house detectives and file clerks. (Copyright, 1929, Journal of Commerce Publishing Co.)

[Reprinted from the Chicago Journal of Commerce, August 3, 1929]

ROUND TABLE OF BUSINESS—PAY ROLLS OF LAND BANKS FLOURISH IN RECEIVERSHIP—BOARD POLICY HITS CREDIT

By Glenn Griswold

Heaven knows the Farm Loan Board ought to be proficient at hiring help for its subsidiary organizations. It has practice enough. Finding jobs seems to be one of its major occupations. Whenever it has full swing, there is an abundant personnel on the pay roll.

The joint-stock land banks in receivership and liquidation have more employees on their pay rolls to-day than they had when they were going concerns; and these receiverships are not new by any means. Some of them have more than twice as many employees, and all of them are hand picked in Washington.

About two years ago, Eugene Meyer, who had distinguished himself as head of the War Industries Board, was picked to reorganize the Farm Loan Board and the system. He conceived his job to be that of a policeman and treated it in that fashion. The system has been run by policemen ever since. Mr. Meyer wanted his own organization and the President accepted his suggestions as to appointments of all sorts.

Mr. Meyer took a lot of folks he called his boys, who had been clerks, junior lawyers, and bureau executives in the War Industries Board and the Department of Agriculture, and began training them for the task of running a billion-dollar banking system. None of them knew anything about farming, about banking, or the mortgage business. Gradually they came to fill most of the important executive positions on the board, and several of them were appointed to membership on the board. A lot of them were shipped to Chicago, Kansas City, Cincinnati, and elsewhere to take part in the management of joint-stock land banks there.

Under this régime the expenses of the board have more than doubled, and those who run it are quite frank to say that they will continue to increase. System costs money, and one can not manage every last detail of the functioning of 52 banks by mail and telegraph without system and detail.

The Department of Justice and the board undertook to "clean up" some of the banks. They sent letters to the stockholders, bondholders, and borrowers of the banks, asking the sort of questions a mail-order detective would ask. It was made perfectly clear that there was a nigger in the woodpile. All sorts of details were sought to determine whether the recipient of the circular letter ever had been defrauded by the bank or given any reason to suspect the motives and practices of those who ran it. It was a perfect system for destroying bank credit.

In this atmosphere the joint-stock land banks have practically ceased to function. They have fewer loans outstanding to-day than they had a year ago or the first of this year. The best and the soundest of them, those with which the sharpest detective can find no fault, those which are reporting large earnings and paying liberal dividends—even these are practically in a state of liquidation.

The bond market has not been favorable to farm-loan operations, of course. The farmer needs land loans, and land loans are being made. The insurance companies and other private lenders have not quit the business, but the joint-stock land banks have. Andrew Jackson himself could not have done a better job at destroying the credit and terminating the usefulness of a bank system.

Admittedly there were banking errors made, and possibly chicanery attended some of them; but the sort of policing the system has had should have cleared out any bad spots years ago. And yet in the last two years private investors in the securities of these banks have lost approximately $115,000,000. That, of course, is not the concern of Washington, and the little blue cards make no mention of it.

[Reprinted from the Chicago Journal of Commerce, August 5, 1929]

ON FIRING AN OFFICE BOY

Let us suppose that the president of a national bank decides to fire one of his office boys. It is a reasonable supposition, because although presidents of national banks do not usually make such decisions in person, they do so once in a while. This president, then, decides to fire an office boy—and, of course, to hire another. He accomplishes this in two motions: First, he fires the boy he has; second, he hires the boy he wants. That ends it.

But suppose it were decreed that the president of a national bank could not fire an office boy without transmitting news of the fact to the Comptroller of the Currency in Washington, together with his reasons therefor; and that he could not hire another without transmitting the news to the Comptroller of the Currency and supplying the comptroller with a biography of the new appointee to demonstrate his fitness, and that the new appointee could not draw any wages until the comptroller had granted an authorization. What then?

At once a fair percentage of the presidents of American national banks would die of apoplexy, most of the remainder would be smitten speechless, and the few survivors would leap into airplanes and buckle on their trusty machine guns to fly to Washington and smash, crash, quell, squash, squelch, and exterminate the Comptroller of the Currency. What is more, the indignation of the bankers would be generally approved. People would say that the banks were privately owned institutions, that the tens of thousands of owners had elected directors to act for them, and that the directors had elected officers to manage these privately owned institutions, even in such momentous matters as the firing of one office boy and the hiring of another. People would add that while the Comptroller of the Currency and his bank examiner ought to have an appreciable measure of authority over the underlying conditions of national banks, so as to insure safety, they ought not to interfere with the routine of bank management.

There is the supposititious case. Now let us turn to the actual.

The joint-stock land banks, like the national banks, are chartered by the Federal Government. They are privately owned institutions. Thousands of stockholders have paid $41,745,000 for capital stock and $1,587,000 as paid-in surplus. The stockholders have elected directors to act for them, and the directors have elected officers to manage the banks. On the assumption that the banks would be managed by the officers, a multitude of investors have purchased the bonds of the banks, to the sum of $586,689,000. The Federal Farm Loan Board has supervisory powers over the banks, but it was the intent of the law under which the board operates that the board should exercise about the same sort of authority over the joint-stock land banks that the Comptroller of the Currency exercises over national banks.

So far, then, the parallel is complete. But suppose the president of a joint-stock land bank decides to fire one office boy and hire another.

When the office boy is fired, the president or one of his subordinates must enter the fact on the boy's personal history and service record card, Form 1361. The information must then be transmitted to Chester Morrill, secretary and general counsel of the Federal Farm Loan Board, Washington, D. C., for his approval. If he disapproves, the fired office boy must be recalled. When the new office boy is hired, a personal history and service record card, Form 1361, is ordained for him. He must fill out the face of the card "on the typewriter or in ink, preferably on the typewriter." The questions asked on the face of the card deal "particularly with respect to training and previous experience," as Mr. Morrill has explained. The information thus supplied enables Mr. Morrill "to pass more intelligently upon the question of compensation to be paid an employee."

After the new office boy has filled out the card, the president of the bank takes it from him with a happy smile and prepares the card for mailing. The bank president carefully refrains from folding the card; instead, he places it in a large envelope reenforced with carboard. "A supply of envelopes and cardboards," Mr. Morrill wrote to the bank presidents recently, "is being sent to you with the forms." In a large envelope reenforced with cardboard the bank president sends to Mr. Morrill in Washington the new boy's personal history and service record card, Form 1361, along with a request for Mr. Morrill's approval of the new boy's wages. Mr. Morrill, judging by the boy's previous training and experience, and by any other Morrillian standards that Mr. Morrill may deem applicable, decides whether the wages fixed by the bank president are justified. If not, he disapproves. If he disapproves, the boy gets no wages. The boy will then either have to accept the wages that Mr. Morrill in Washington deems justified or the bank president will have to get a new boy.

The bank president, after transmitting to Mr. Morrill in Washington the new boy's service card, takes a customer out to lunch. The customer is in a seriously inquiring mood.

"How much," he inquires, "has been the decrease in value of the securities of all the 52 joint-stock land banks in the last two years?"

"Oh, about $115,000,000," answers the bank president.

"How are loans?"

"Fewer than a year ago."

"Has the Farm Loan Board cut the staffs of the three banks in receivership and liquidation?"

"Those banks," says the banker, "now have more employees than when they were going concerns."

"I think," says the customer, "I shall say something in public, pretty loud, about bureaucratic interference with the banks."

"In that case," says the banker, "I must pay for this lunch myself. If you criticize the board, I shan't dare put your name on the expense account I must send to the board in Washington whenever I take a customer to lunch."

"And at that," says the customer, "there are only 3 failures out of 52!"

REVISION OF THE TARIFF

The Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 2667) to provide revenue, to regulate commerce with foreign countries, to encourage the industries of the United States, to protect American labor, and for other purposes, the pending question being on the amendment of the Committee on Finance in section 584, page 446, line 13, to strike out the words "or the owner of such vessel or vehicle."

Mr. HOWELL obtained the floor.

Mr. LA FOLLETTE. Mr. President, will the Senator yield while I suggest the absence of a quorum?

Mr. HOWELL. I yield for that purpose.

Mr. LA FOLLETTE. I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. JONES in the chair). The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Allen	Fletcher	Jones	Sackett
Ashurst	Frazier	Kean	Schall
Barkley	George	Kendrick	Sheppard
Black	Gillett	Keyes	Shortridge
Blaine	Glenn	La Follette	Simmons
Blease	Goff	McKellar	Smoot
Borah	Goldsborough	McMaster	Steck
Bratton	Gould	McNary	Steiwer
Brock	Greene	Metcalf	Swanson
Brookhart	Hale	Norris	Thomas, Idaho
Broussard	Harris	Nye	Thomas, Okla.
Capper	Harrison	Oddie	Vandenberg
Caraway	Hastings	Overman	Walsh, Mass.
Connally	Hatfield	Patterson	Walsh, Mont.
Couzens	Hayden	Phipps	Warren
Cutting	Hebert	Pine	Waterman
Deneen	Heflin	Ransdell	Watson
Dill	Howell	Reed	
Fess	Johnson	Robinson, Ark.	

The PRESIDING OFFICER. Seventy-four Senators having answered to their names, a quorum is present. The Senator from Nebraska [Mr. HOWELL] is entitled to the floor.

Mr. HOWELL. Mr. President, one of the most terrible habits that is the fate of humanity is that of the taking of narcotics. Narcotics destroy both the mind and the body. They render the victim hopeless, and it is generally recognized that society should do everything within its power to stamp out the traffic in narcotics, which is now without the pale of the law in this country.

Congress has enacted stringent laws to prevent traffic in narcotics, and this Government has asked the nations of the world to join in an endeavor to curtail the production of such drugs. We have provided that when vessels enter our ports, if narcotics are found on board, even if their presence on board is merely a matter of negligence, the masters of the ships shall be penalized.

The Treasury Department has found that the penalization of the masters of vessels is ineffective, and certainly the evidence is such as to convince anyone that the present law is not being enforced, and that it is ineffective, since the fines paid as compared with the fines levied in the case of one steamship company indicates that but 0.87 of 1 per cent of the levied fines were paid.

As a consequence, it was urged upon the Committee on Ways and Means of the House, and it was urged undoubtedly by the Treasury Department, that the law should be changed, and the House of Representatives changed the present law so as to make not merely the master of a ship liable to the fine imposed, but the owner of the vessel also.

One branch of Congress has determined that something additional must be done to wipe out this traffic, which is continuing upon the ships which touch at our ports. That branch of Congress has acted, and now the question is, Will the Senate refuse to concur? That is the question. Will we take a step which the House has already taken to protect the thousands and tens of thousands of victims in this country from this terrible habit, and punish those who, from sordid motives, traffic in outlawed drugs?

Mr. FESS. Mr. President, will the Senator yield?

Mr. HOWELL. I yield.

Mr. FESS. Is the Senator convinced that if the Senate committee amendment should become the law it would not effectually deal with the traffic in opium?

Mr. HOWELL. Mr. President, just one change has been made, in section 584, found on page 446 of the bill. This section is identical with the present law except that the owner of such vessel or vehicle conveying narcotics is made liable, the same as the master or other person in charge. That is the only change. The Senate committee amendment would relieve the owners of vessels. In other words, the amendment proposed by the Senate committee would nullify the amendment to the present law made by the House of Representatives.

Mr. FESS. Mr. President, if the Senator will permit, if I were convinced that the proposed amendment would weaken effective enforcement, I do not see how I could vote for it. As the Senator will recall, for a long time the United States Government has indicted the British Government because of the opium trade in China, and it would not be very consistent if we should let up in our efforts at control of the trade in opium when it becomes a matter of profit.

Mr. HOWELL. Mr. President, I am now going to give some concrete facts, facts which undoubtedly motivated the Treasury Department and the House of Representatives in adopting the amendment to the law which the House committee recommended, and which the House adopted, and which the Senate Finance Committee now proposes shall not be concurred in.

On October 2, 1928, the steamship *President Harrison*, of the Dollar Line arrived in Jersey City. The customs inspectors went aboard and in a very short time found on board that vessel 2,665 tins of prepared smoking opium weighing half a ton. They seized the opium and under the law the master of the vessel was fined $399,750, or at the rate of $25 an ounce as provided in the present tariff act. Of course, the steamship company filed a petition in connection with the captain of the ship for a remission of the fine.

The petition asked for relief from, and remission of the fine for alleged violation of section 584 of the tariff act of September 21, 1922, the violation being the alleged importation into the port of New York of prepared smoking opium on the steamship *President Harrison* October 2, 1928, which was $399,750 assessed and levied against James Donald Guthrie, master, by the collector of customs of the Port of New York, because 2,665 cans of prepared smoking opium, weighing in excess of one-half ton, was found on the vessel and was not shown upon the manifest, contrary to the provisions of the tariff act.

The petition alleged that the Dollar Steamship Line issued standing orders for all its vessels, that all packages, merchandise, parcels, and articles of every kind and character brought on board by passengers, officials, or crew, must be inspected by an officer of the vessel in order to prevent the taking on board of any contraband articles, including opium; and that all articles taken on board subject of manifest must be listed.

Now, mark you, they insisted in their petition that there were standing orders against the bringing on board of every kind of contraband article and that included liquor. The petition further stated that on voyage No. 15, around the world, of the *President Harrison*, such standing orders and directions were fully and carefully complied with, and that, pursuant to printed notices posted in prominent places on the *President Harrison* during the voyage in question, forbidding bringing on board of contraband, including opium, all members of the crew were searched for contraband when coming on board the vessel at the ports of her itinerary.

Mark you, the claim was that every member of the crew was searched for contraband. The petition then stated:

> That upon arriving in New York on October 2, 1928, the master and officers of the vessel for the first time learned of the presence of a half ton of prepared smoking opium on board.
>
> That upon the discovery of this opium the master conducted an investigation, with the result that one Wong Kai Hong, a Chinese boatswain, confessed to having been instrumental in concealing said packages on the vessel.
>
> That said Wong Kai Hong was thereupon delivered into the custody of the customs officials at the port of New York.
>
> That steps were taken to see that all letters coming on board and written by Wong Kai Hong at New York were turned over to the customs officials.
>
> That the opium was concealed in a dead space between the skin of the ship and the sheathing adjacent to the port chain locker by cutting out a section of the fore and aft stringer plate, which was five-eighths inch thick, by a drill and cold chisel, the size of the section removed being 10 inches by 17 inches.
>
> That Wong Kai Hong's confession included the statement that there was no other person on board the vessel guilty of complicity in or in any way connected with the presence and secreting of said opium on the vessel.

Mark you, the Chinese boatswain took, suspiciously, the entire blame.

The affidavit of L. S. Burgess, first mate of the *President Harrison*, was submitted in support of the plea for remission of the fine. In his affidavit this officer stated that immediately upon the arrival of the vessel at Jersey City, in the port of New York, the vessel was boarded by a special detail of United States customs officials, who thereupon requested that the anchor chains be hove out of the chain lockers, with the result of finding the one-half ton of opium.

He further stated that the cut-out portion of the stringer plate had been carefully replaced, supported upon a board, and the cut covered with narrow canvas preserver straps and then smeared with a black bitumastic covering identical with that used to cover the chain locker, the inside skin of the ship, the ribs, frames, and stringer plates; that the cut-out portion had then been covered with rust dust and dirt; and that the aperture being thus concealed, escaped detection by examination from the chain locker, being indiscernible, except by shining a light thereon. In other words, they insisted that the aperture could not be discovered because it was so covered.

The affidavit further stated that searches of the vessel previously conducted by the first mate failed to reveal the cut in the stringer plate, notwithstanding a spotlight was used; that at all oriental ports where the vessel touched, all articles, packages, and baggage brought aboard by crew and steerage passengers were carefully and painstakingly searched and inspected by guards and watchmen employed on said vessel; and that all supplies brought aboard said vessel were likewise carefully and minutely inspected.

Mark you, there again we have a statement, this time by the mate, to the effect that all packages and baggage brought aboard by crew or steerage passengers were carefully and painstakingly searched by guards and watchmen employed on the vessel, and that supplies brought aboard the vessel were likewise carefully and minutely inspected.

The affidavit stated further as follows:

> That at all such ports guards are maintained at the shore end and the ship's end of all gangways, and additional guards in and about the various portions of said vessel for the purpose of preventing and detecting the bringing aboard of opium or other contraband by anyone.
>
> That the Chinese, Wong Kai Hong, stated that during the few hours the *President Harrison* was lying at the port of Hong Kong, and shortly after sailing therefrom, said packages of opium were secreted in the sand box, and that he, Wong Kai Hong, cut the opening in the stringer plate and stowed the packages through said aperture.
>
> That every possible diligence and care was exercised in maintaining watch against the bringing of contraband, including opium, on board the vessel.

The affidavit of Capt. James Donald Guthrie, he being the commander of the vessel, stated among other things that when the customs officials came aboard at New York, he advised that searches had been made and that no contraband or opium had been discovered, whereupon the customs officials began a search, and within a few moments thereafter requested that all chain in the chain lockers of the vessel be hove out, thus indicating that the customs officials had information directed to that particular portion of the vessel.

Mr. President, it will be remembered that the contents of this petition and the contents of these affidavits protest that every care was taken to prevent smuggling; that when the crew came on board after being ashore they were searched; that all steerage passengers coming aboard were searched; that searches had been made of the vessel; and that no contraband was found. It happens, Mr. President, that on yesterday I had the opportunity of talking with a young man who during his college course determined that he would like to have an adventure. As a consequence he signed on with one of the Dollar Line vessels, a sister ship of the *President Harrison*. He circumnavigated the world as a member of the crew. He found his experience most agreeable and entertaining.

After I had talked the matter over with him I said, "It happens that there is now pending an amendment in the Senate which would affect the Dollar Steamship Line as well as other steamship lines entering our ports, and I should like to read to you some of the statements in the petition of the Dollar Steamship Line for the mitigation of a fine, and also from that of the first officer and that of the captain." I read to him those portions which stated that the crew were searched when they came aboard. He said, "I was never searched at any port,

and I went ashore at every port." He further said the gangway for the passengers was aft, that at that gangway there was stationed a cadet to aid the passengers in leaving and coming to the ship, especially the ladies, but that the gangway for the crew was forward and that nobody was stationed at that gangway. "And," he said, "the consequence, of course, was natural; they brought aboard all the liquor they wanted. Why," he said, "you could take a suitcase, go ashore with it, fill it with liquor, walk up the gangway, and nobody would interfere." Of course, if there had been opium in the suitcase it would have been the same. He said, moreover, that "Liquor was in evidence; the officers had it and the crew had it. At Hong Kong and some other oriental ports the sailors procured what they called 'canned lightning.'" He said, "I do not know what the liquor was, but it was very strong; I think it was vodka; it was in pint cans; they brought the cans aboard and in the morning, at almost any time, you could go to a refuse receptacle and find the empty cans." Further that, "One could walk into the quarters of the men and find five or six around a pitcher, a large pitcher, holding nearly a gallon. Into that pitcher they would empty one of these cans of 'canned lightning,' fill the pitcher with water, and mix with it lemon and orange juice. The five or six about it would then begin to partake and finish it, and when they were through they themselves were nearly finished. Why," he added, "the engineer officer used to get warm under the collar because of the condition in which the men often were." And yet this company states in its petition that they searched each member of the crew when he came aboard; that every package they brought was investigated; and yet here is a concrete case of an entire voyage where they did nothing of the kind.

Then I read excerpts from the petition wherein the company states that searches were made during the cruise to discover contraband opium, liquors, and so forth. "Well," he said, "I never knew of any searches except those made for stowaways; they did make searches for stowaways; but I was never conscious of any search being made on board of that vessel until we reached New York. Then," he said, "the customhouse officers made a real search; they went through it; there was no question about that."

It was fortunate, indeed, that I happened to have the opportunity of talking with this young man, because he gave me the facts with reference to searches and the care taken to prevent the introduction of contraband upon vessels when they are in oriental ports.

Mr. President, I served in the Navy, and in my time there were strict regulations against the introduction of liquor aboard ship. The crew were searched when they came aboard; they were not asked to make declarations. The master at arms stood there and went over each sailor as he came aboard, feeling to determine if he had liquor secreted within his shirt, in his pockets, or hanging down inside of his trousers. That kind of search is not unusual; that kind of search is effective, as is also the inspection of the contents of every package that comes aboard. Do you think a member of the crew could go aboard a naval vessel now and take aboard a package that is not open for inspection? Oh, no; but they can do so on a vessel of the Dollar Steamship Line; they are doing it.

Why do they not stop that sort of thing? Because it costs money to stop it effectively, and then there is no penalty, so far as the owners of the ship are concerned, if contraband is introduced aboard. Why, then, incur the trouble and expense necessary to stop it? That is the reason.

I might add that in one of the petitions or affidavits it was stated that when they reached a Chinese or other oriental port they had a special agent to make an investigation. I asked the young man to whom I have referred if there was such a special agent aboard the vessel upon which he circumnavigated the globe. "Oh, yes," he said, "the men had him spotted; they knew who he was; everybody aboard the ship knew who he was, and, of course," he added, "he could not find anything; but during the same time the crew had liquor and were drinking liquor, and any member of the crew could find it." Understand, that liquor is as much contraband as opium.

Mr. President, under the present law it was held by the Treasury Department that the ship was liable for the fine imposed, but some time ago the Attorney General handed down an opinion that such was not the case. What was the consequence? In the case of the *President Taft* on July 14, 1927, wherein a fine of $146,961 was assessed against the captain, the fine was remitted by the Treasury Department except as to $3,000. The Dollar Steamship Co. paid that fine, not the captain. Why? Because in their contracts there is a provision that if the captain is fined for a violation to which he is not privy the steamship company will pay the fine. So they paid the $3,000. Then the captain died, and a ruling was obtained from the Treasury Department that the fine could not be enforced against the representatives of the captain. So the Dollar Steamship Line applied to the Treasury Department and demanded the return of the $3,000, and the $3,000 was returned to the steamship company.

I assume that it was because of the decision of the Attorney General, the experience had by the Treasury Department in attempting to collect these fines, and the return of this $3,000 that had been collected in the *President Taft* case, that the Treasury Department took the position that the present law was inadequate, and that the law should be made what the Treasury Department had assumed it was prior to the opinion of the Attorney General.

Mr. President, because the captain of the vessel only is held liable, and the steamship company stands behind the captain, agreeing to pay his fine, necessary measures have not been taken to prevent illegal importation of narcotics into this country. Why, think of it! Two thousand six hundred and sixty-five cans of opium, weighing half a ton, brought in by the *President Harrison* in October last, which the officers could not find, but which the customs officers promptly found; and what was that worth? The bootleg value of those 2,665 cans of opium was from $125 to $150 each.

Mr. LA FOLLETTE. Mr. President——

The VICE PRESIDENT. Does the Senator from Nebraska yield to the Senator from Wisconsin?

Mr. HOWELL. I do.

Mr. LA FOLLETTE. Has the Senator given the amount of the fine assessed and the amount actually paid in that case?

Mr. HOWELL. The fine assessed amounts to $399,750. I understand that the Treasury Department has reduced it to $7,500, but that the steamship company has not paid it. However, I have received word that the attorney for the company was up at the Treasury Department this morning, and said it had been ordered paid because of this row in the Senate over this Dollar Co.'s amendment. They want to quiet things down.

That is the situation that confronts the Senate with reference to this legislation. The Treasury formerly insisted that the vessels were liable for these fines. The Attorney General has handed down an opinion that they are not liable, and now the Treasury Department wants the law to be corrected so that they will be liable. That is all that the House provision means.

There are thousands of ships entering our ports every year. The Dollar Steamship Line is but one company; and yet in about two years the Dollar Steamship Line violated the present tariff act 37 times!

Mr. REED. Mr. President, will the Senator yield?

The VICE PRESIDENT. Does the Senator from Nebraska yield to the Senator from Pennsylvania?

Mr. HOWELL. Yes.

Mr. REED. Were those cases of violation all with opium, or were they with liquor?

Mr. HOWELL. All opium, I understand.

Mr. REED. Thirty-one violations?

Mr. HOWELL. Thirty-seven—thirty-seven times between April 22, 1925, and I think the latest one was October 2, 1928; so it is a little more than two years.

The total fines assessed were $760,502.56. In 10 cases there was a complete remission of the fine. All fines paid amount to but $6,650—0.87 of 1 per cent!

Is it not a farce? And what do they say about it? Why, they say, "You can not collect these fines against masters. Nearly every one is judgment proof"; and then, as I have told you, it has been stated to me that the steamship company's contracts with its masters provide that in cases brought respecting violations of which they were not privy, the steamship companies will take care of their fines.

Mr. FRAZIER. Mr. President——

The VICE PRESIDENT. Does the Senator from Nebraska yield to the Senator from North Dakota?

Mr. HOWELL. I yield.

Mr. FRAZIER. Is the Senator in a position to show how many times fines were collected and then refunded out of those 37 cases?

Mr. HOWELL. No; I have no such statistics, Mr. President. As a matter of fact, the data that I have gotten together here have been obtained since yesterday morning. They are not complete; but there are ample data here to show the necessity of defeating the Senate amendment, forgetting the dollars and cents in this matter, thinking of the victims of the opium traffic, and holding up the hands of the House of Representatives in connection with the amendment it has made to this law.

I have the following letter from the Treasury Department. I had asked the Treasury Department respecting another violation in connection with the *President Taft* on July 14, 1927, wherein a fine of $146,961.20 was assessed:

TREASURY DEPARTMENT,
BUREAU OF CUSTOMS,
Washington, September 20, 1929.

Hon. ROBERT B. HOWELL,
United States Senate.

MY DEAR SENATOR: Following is a brief résumé in the case of the steamship *President Taft* in accordance with your telephone request of this morning.

The steamship *President Taft,* owned by the Dollar Steamship Line, C. M. Cochrane, master, arrived at the port of San Francisco, Calif., July 21, 1927, at which time 5,866 ounces of prepared smoking opium were seized. All of the contraband was found in an unused flue extending from the galley to the smoking stack in the after fidley, otherwise known as the boiler hatch.

In its homeward voyage the vessel went from Manila to Hong Kong, to Shanghai, to Kobe, to Yokohama. After leaving the port of Yokohama and before arriving at Honolulu, three searches of the vessel were made. After leaving Honolulu and before arriving at San Francisco two searches were conducted. The vessel arrived at San Francisco on July 14, 1927, at which time certain unmanifested whisky, merchandise, and a small quantity of opium were seized. The vessel then went to Los Angeles, Calif., where it was searched by the customs officers and then returned to San Francisco, at which time the large seizure of opium in question took place.

After a careful review of the facts in the case, the department mitigated the penalty of $146,961.20 to the sum of $3,000. The attorneys representing the Dollar Steamship Line deposited the amount of the mitigated penalty in the special deposit account of the collector of customs at San Francisco pending the department's decision on two questions: First, as to whether the master's personal representatives were liable for the payment of this penalty, the master having died during the pendency of the case; second, whether the saving provision of section 594 of the tariff act absolving vessels used as common carriers from being held, seized, or forfeited unless the owners or those in charge are consenting or privy to the illegal act upon which the penalty is based, applied to the second paragraph of section 584 of the tariff act. The department had always contended that under section 584 of the tariff act the penalty constituted a lien upon the vessel.

The Attorney General of the United States rendered an opinion on these two questions and held: First, that the cause of action against the master abated with his death so far as personal representatives were concerned; and second, that the saving provision of section 594 of the tariff act applied to section 584 of the tariff act. Accordingly, in view of this decision the department returned to the steamship company its $3,000 deposit.

In accordance with your request I am inclosing a tabulation giving the name of the master in each of these narcotic-seizure cases.

The bureau will be glad to furnish any further information which you may desire on this subject.

Very truly yours,

J. D. NEVINS,
Acting Commissioner of Customs.

Mr. President, the master of the *President Jackson,* J. Griffith, was fined on six different occasions. The total of the fines amounted to $59,355.33. The total paid was $2,075.

H. L. Jones, the master of the *President Lincoln,* was fined on four different occasions. Remember, that was within a period of a little more than two years. The total fines were $33,776.50. All remitted except $1,000.

In the case of the *President McKinley,* A. O. Lustie, commanding, there were five violations. The total fines were $63,203.50. Paid, $1,325.

In the case of the *President Taft* there were four violations during that period. The total fines amounted to $147,231.20, and the total fines paid were $50.

Mr. President, the enforcement of this law has been ridiculous. We think more, apparently, of the profits of the Dollar Steamship Line than we do of the misery that is imposed upon thousands of our citizens because of these violations. So it is proposed by the Senate Finance Committee that we pay no attention to the amendment by the House of the present law, because it might be effective, at least, so far as our ability to collect these fines is concerned. They would wipe out this timely House proposal introduced in the pending tariff bill.

Now I want to refer again to the case of Capt. James Donald Guthrie, commanding the *President Harrison,* upon which vessel were introduced into this country, 2,665 cans of smoking opium, the cans about the size of a can of Prince Albert smoking tobacco, each worth to the "bootleg" trade from $125 to $150.

The first mate, or first officer, in his affidavit, to which I have previously referred, stated in part that "upon the arrival of the vessel at Jersey City, in the port of New York, the vessel was boarded by a special detail of United States customs officials who thereupon requested that the anchor chains be hove out of the chain lockers," with the result of finding the one-half ton of opium.

This first officer says the customs officials came aboard and asked that the chains be hove out of the chain lockers. The captain, in his affidavit, followed with this naïve suggestion. When the customs officials came aboard at New York, Captain Guthrie said that he advised that searches had been made, and that no contraband or opium had been discovered, whereupon the customs officials began a search, and within a few moments thereafter requested that all chains in the chain lockers of the vessel be hove out.

This is the naïve part:

Thus indicating that such customs officials had information directed to that particular portion of the vessel.

In other words, he would have it believed, as he before stated, that it was difficult, if not impossible, to find where the opium had been concealed, but naïvely suggests that the customs officials must have had some advance notice respecting that opium.

At the time, October 2, 1928, the newspapers stated that when the customs officials investigated the chain lockers, as they naturally would, they immediately noted the pungent odor of opium. That is the reason they ordered the chains out and, of course, they kept on looking until they found the opium.

One of the remarkable features about the case is this—at least, it seems remarkable to me, and I think it must to anyone familiar with orientals—that the Chinese boatswain, who declared that he was the only one responsible, the only person who knew anything about the opium, as there is no indication that there was any evidence against him, confessed to the whole matter. It looks as if he were the "goat," and it also suggests that October 2, 1928, was not the first time that locker had been used for the introduction of opium into this country.

What do the customs officials say? I have here the report of the seizures. This states what was seized, who the seizing officials were, and then adds:

Master did conduct search of vessel. Found one bottle of liquor.

They had finished nearly everything prior thereto.

Log did show record of search.
Not manifested.

Then he adds this:

Ordinary search would have revealed the articles found.

That is the report of the customs official who found the opium. Then the assistant surveyor sent this letter to the law division respecting this matter:

The seizure papers are forwarded herewith.

This covers 2,655 cans smoking opium found by the searching squad on board the vessel.

There is no doubt the master did cause a search of the vessel, but it must have been only perfunctory.

Which is the point I have been emphasizing. All claim they search the vessel, and search the crew when they come aboard, but there is nothing to it. They do not search the crew, and if a search of the vessel is made, it is perfunctory.

Despite the confession of one Wong Kai Hong, the Chinese boatswain, that he was solely responsible for the presence of these 2,665 cans of smoking opium, this department feels that some of the officers of the vessel should have discovered the boatswain at work cutting out the hole in the chain locker through which the opium was taken from the sand box and stored through said hole.

Senators will remember that hole was cut through five-eighths inch steel; it was 10 inches high and 17 inches long. It required drilling and cold-chisel work.

The drilling and sawing of the hole in the chain locker, which must have consumed some four or five hours and the carrying of the opium from the sand box to the chain locker, should have attracted attention and been discovered by some of the officers.

This department can not believe that the Chinese boatswain was the only one involved.

The master tried to help us clear up the situation, and we therefore recommend a mitigated penalty.

The penalty was $399,750. This letter was signed by M. S. Jackson, assistant surveyor.

It can be seen what these men in charge of this kind of work thought about this transaction.

Here is a letter to the surveyor of customs of the port of New York from C. Schmidt, station inspector, enforcement bureau:

Replying to letter from your office under date of November 24, 1928, containing application for relief from penalty incurred by the master of the steamship *President Harrison*—

* * * * * * *

The master in his application devotes much space to what actually transpired at the hearing in the law division, customhouse, but fails to show just what precaution was taken by him to prevent such a large quantity of narcotics finding its way on board unnoticed.

It seems also that some one in authority should have heard the boatswain in the chain locker drilling, sawing, and chiseling to cut through an iron beam in order to conceal his narcotics where it was thought no one could find same.

Mr. FESS. Mr. President——

The VICE PRESIDENT. Does the Senator from Nebraska yield to the Senator from Ohio?

Mr. HOWELL. I yield.

Mr. FESS. The penalty provided in the section we are considering is rather drastic, holding the owner of the vessel or vehicle responsible. Is it more drastic than our seizure law in reference to narcotics?

Mr. HOWELL. It is not. Neither is it more drastic than certain provisions of the prohibition law.

Mr. FESS. I think this seems rather drastic, but, at the same time, I fear if it is not retained the law will not be very effectual.

Mr. HOWELL. If there is added to the present law the provision which has been inserted by the House, there will be searches, do not worry about that. The crews will be searched. Of course, it will cost the vessel operators more; but should we consider that when the question is the importation or the smuggling into this country of narcotics?

Mr. President, I am going to read finally from a letter written by the Solicitor of the Treasury Department in connection with this case. He said:

Herewith are transmitted all papers received in this office with the letter of January 8, 1929, from the Bureau of Customs relating to the petition of James Donald Guthrie.

Then, skipping a portion of the letter:

In view of the large penalty incurred I have given very careful consideration to the petition submitted, and I am of the opinion that the penalty incurred should not be remitted.

Here is the opinion of the Solicitor of the Treasury Department, familiar with these cases, who had before him undoubtedly testimony which I have been unable to get, and he said:

In view of the large penalty incurred, $399,750, I have given very careful consideration to the petition submitted, and I am of opinion that the penalty incurred should not be remitted.

Mr. President, we may be lax in the enforcement of our prohibition law. We are lax. We are not willing to go as far as necessary to enforce the eighteenth amendment. There is no question about that. Enforcement can be accomplished. Enforcement in the city of Washington can be effective. The President can dismiss any official of the city of Washington, because such officials are his appointees or the appointees of appointees of the President. In my opinion, if the President called the Commissioners of the District of Columbia before him and said, "Gentlemen, I have Secret Service officials at my command and if they discover anything in Washington in connection with the violation of the prohibition law before you discover it, you are out." There is no question as to what the result would be. There would be one city in the country that would be cleaned up.

Mr. BLEASE. Mr. President——

The VICE PRESIDENT. Does the Senator from Nebraska yield to the Senator from South Carolina?

Mr. HOWELL. I yield.

Mr. BLEASE. Can the Senator give us some idea as to how the President could reach the grand jury that fails to bring indictments when they have the absolute proof or when they delay the bringing of an indictment so long that one of the alleged defendants can get back to China while his paraphernalia is still to be found in the grand jury room? I am speaking of the opium business.

Mr. HOWELL. I was speaking at the moment particularly of violations of the prohibition law. I acknowledge the difficulties that are interposed by the attitude of petit juries and grand juries, and the attitude of judges for that matter. I recognize these difficulties. But what I say is that the President of the United States is all powerful in the city of Washington. He appoints the officials of the city and under the law he can remove those officials when he sees fit no matter if they were confirmed by the Senate. If he insisted upon their enforcing the law or leaving their offices, they and the police force under them would enforce the law. But the trouble is that the will has not been in evidence in the past. I hope for the future.

Mr. President, we might as well recognize the situation that exists here in Washington in reference to the prohibition law. I think it was in 1923 that the Attorney General handed down an opinion that whereas liquor in the hands of diplomatic officials could not be seized, yet if liquor were consigned to a diplomatic official that fact did not relieve it from liability of seizure. Further, that any common carrier transporting such liquor would be subject to confiscation under the law. Most of the liquor recently delivered to the Siamese Legation and that has been delivered to other legations here in Washington was transported by common carriers. In the case of the importation of liquor by the Siamese Legation, I have the name of the steamship that brought it into the United States. That vessel ploughed at least 3 miles through our territorial waters, and therefore was subject to confiscation for transporting the liquor within the United States. Has the Department of Justice done anything about it?

Again, I have the name of the trucking firm that hauled that liquor to Washington. It makes no difference that a diplomatic official or employee of an embassy was sitting beside the driver of the truck, that truck was subject to confiscation under the decision of the Attorney General of the United States. The railroads will not haul the stuff.

The reason why this sort of thing is not stopped is because there is not the will to stop it. Now, it would seem there may not be the will here in the Senate to throw another obstacle in the way of importing narcotics to ruin and drive deeper into the mire our victims of the drug habit. Are we thinking too much of dollars? That is what we will be thinking about if we do not interpose this obstacle. That will be the plea—"save the steamship companies from these fines, from paying because the owners are innocent." If we would assess these fines against the steamship companies and enforce them, the owners will see that their crews are searched before they come on board. They will see that boats do not come alongside and hand narcotics through portholes when in an oriental port. The portholes will be closed or guarded.

Mr. President, this is no small matter. This is a question as to whether we are really sincere in our desire to enforce the laws against the importation of narcotics into our country. Here we have the opportunity of striking another blow. The House has struck a blow. It is merely required of us that we strike another blow on top of that one to help prevent this horrid thing being continued.

Mr. President, I sincerely trust that the United States Senate will not sound a note of retreat by striking down the House provision—simply another anchor to leeward in our efforts to destroy the illegal traffic in narcotics in this country.

I ask permission to have printed at this point in my remarks a statement showing the penalties imposed upon masters of the Dollar Line vessels as the results of the seizure of unmanifested narcotics since January 1, 1925.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

Penalties imposed upon masters of Dollar Line vessels as a result of the seizure of unmanifested narcotics since January 21, 1925

Steamship	Date of seizure	Port	Penalty	Mitigated penalty
President Adams	Apr. 22, 1925	Boston, Mass	$1,842.28	$200.00
Do	Jan. 26, 1925	Los Angeles, Calif	1,750.00	(1)
President Cleveland	Mar. 10, 1925	San Francisco, Calif	41,562.50	500.00
Do	Apr. 29, 1926	Honolulu, Hawaii	72.60	25.00
Do	May 19, 1925	San Francisco, Calif	1,338.05	300.00
President Garfield	Oct. 20, 1924	Los Angeles, Calif	100.00	25.00
President Grant	Nov. 19, 1924	Seattle, Wash	100.00	(1)
Do	Dec. 17, 1928	do	930.00	100.00
President Harrison	July 18, 1924	New York, N. Y	25.00	(1)
Do	Oct. 2, 1928	do	399,750.00	(2)
President Hayes	Aug. 15, 1924	do	4,000.00	400.00
President Jackson	July 4, 1925	Seattle, Wash	120.00	25.00
Do	Nov. 1, 1925	do	64.00	(1)
Do	May 4, 1925	do	17,500.00	500.00
Do	Mar. 12, 1928	do	7,875.00	500.00
Do	Sept. 2, 1927	Honolulu, Hawaii	33,346.33	1,000.00
Do	Jan. 12, 1928	San Francisco, Calif	450.00	50.00
President Jefferson	Mar. 24, 1926	Seattle, Wash	150.00	50.00
President Lincoln	May 22, 1925	Honolulu, Hawaii	54.00	(1)
Do	June 30, 1926	San Francisco, Calif	32,825.00	1,000.00
Do	Apr. 29, 1925	Honolulu, Hawaii	812.50	(1)
Do	Nov. 17, 1926	San Francisco, Calif	85.00	(1)

[1] Remitted.
[2] Pending; proposed revision to $7,500; not paid.

Penalties imposed upon masters of Dollar Line vessels as a result of the seizure of unmanifested narcotics since January 21, 1925—Contd.

Steamship	Date of seizure	Port	Penalty	Mitigated penalty
President Madison	Apr. 22, 1925	Seattle, Wash	$157.50	$25.00
Do	June 17, 1926	do	30.00	(1)
Do	Feb. 12, 1927	do	787.50	150.00
President McKinley	Mar. 17, 1925	do	1,200.00	150.00
Do	Mar. 12, 1926	do	62.50	25.00
Do	Nov. 7, 1926	do	280.00	50.00
Do	Sept. 16, 1927	Honolulu, Hawaii	16,661.00	600.00
Do	July 9, 1926	Seattle, Wash	45,000.00	500.00
President Pierce	Jan. 3, 1928	do	3,000.00	325.00
President Taft	June 10, 1925	Honolulu, Hawaii	45.00	(1)
Do	Apr. 1, 1925	do	50.00	25.00
Do	Mar. 24, 1926	San Francisco, Calif	175.00	25.00
Do	July 14, 1927	do	146,961.20	(2)
President Wilson	Nov. 3, 1926	do	341.00	100.00
			760,502.36	6,650.00

[1] Remitted.
[2] Pending.

Total violations, 37; total remissions, 10; percentage of fines paid, 0.87 per cent.

Dollar Steamship Co. violations and fines assessed to various masters

Steamship	Master	Date seizure	Fine	Amount paid
President Jackson	J. Griffith	July 4, 1925	$120.00	$25.00
Do	do	Nov. 1, 1925	64.00	(1)
Do	do	May 4, 1925	17,500.00	500.00
Do	do	Mar. 12, 1928	7,875.00	500.00
Do	do	Sept. 2, 1927	33,346.33	1,000.00
Do	do	Jan. 12, 1928	450.00	50.00
			59,355.33	2,075.00
President Lincoln	H. L. Jones	May 22, 1925	54.00	(1)
Do	do	June 30, 1926	32,825.00	1,000.00
Do	do	Apr. 29, 1925	812.50	(1)
Do	do	Nov. 17, 1926	85.00	(1)
			33,776.50	1,000.00
President McKinley	A. O. Lustie	May 17, 1925	1,200.00	150.00
Do	do	Mar. 12, 1926	62.50	25.00
Do	do	Nov. 7, 1926	280.00	50.00
Do	do	Sept. 16, 1927	16,661.00	600.00
Do	do	July 9, 1926	45,000.00	500.00
			63,203.50	1,325.00
President Taft	C. M. Cochrane	June 10, 1925	45.00	(1)
Do	Harry Wallis	Apr. 1, 1925	50.00	25.00
Do	C. M. Cochrane	Mar. 24, 1926	175.00	25.00
Do	do	July 14, 1927	146,961.20	(1)
			147,231.20	50.00

[1] Remitted.

Mr. JOHNSON. Mr. President, it was not my intention to speak at all upon this subject or to advert to the amendment that has been submitted here by the Finance Committee, but because so much has been said concerning shipowners generally and the wrong that may be done them if the amendment, as presented by the House, shall be adopted, I want to make just a brief statement in response to the argument of the Senator from Oregon [Mr. STEIWER].

The argument of the Senator from Oregon, if it be carried to its logical conclusion, would eliminate any portion of the controverted section, for if it be true that under this section a gross wrong may be done the owner of a ship, it is equally true that under the like provision a gross wrong may be done the master of the vessel. If we see fit to relieve the owner of the vessel, we ought, in equal justice, to relieve the master of the vessel, and if it be true, sir, that a wrong is done a vessel which is a common carrier under the provisions of this proposed law, the like wrong is done under its provisions to a vessel that is not a common carrier; and if we relieve the common carrier of the drastic provisions of the proposed law, we ought to relieve the vessel that is not a common carrier from its drastic provisions. So that if there be merit at all in the argument that is presented by the junior Senator from Oregon [Mr. STEIWER], the entire section, drastic in character, should be wholly eliminated in regard to all parties, for the difference in the liability of the master and the liability of the owner is a difference only in degree and the difference in character of the application of the provisions of the proposed law to a vessel which is not a common carrier and to a vessel which is a common carrier is, after all, a difference only in degree.

We deal, sir, here with one of the most devastating and degenerating of human practices; we deal with something which it is absolutely essential we deal with drastically if we are to remedy existing conditions at all. Therefore, it is not an unusual thing that we should, dealing drastically with this devastating and degenerating situation, touch wherever we can those who may be in control or those who may be able to aid, and touch them in the only place it is possible to touch them—in the properties wherein or whereon the wrong is done, and ultimately in their pocketbooks.

I agree, of course, with what has been said by the junior Senator from Oregon, that there is no disposition upon the part of anybody to work a hardship or wrong upon the owner of any vessel or upon any individual who innocently may be concerned in this horrible traffic, or who may have become enmeshed or entangled innocently in this horrible traffic; but experience has taught that we can only deal with this awful traffic that is so ruinous to human beings by touching every conceivable spring of activity from which the wrong may flow. In the light of experience, I am unable to shed any tears at all at the "awful wrong" which might be done the owners of vessels under the provisions of the proposed law or the fines which might be imposed.

I have in my hand a little statement of the customs narcotics activities showing in one column the fines which have been imposed upon vessels upon which smuggled goods or narcotics were found, and in the next column the reduction of the fines which were imposed upon those vessels. A comparison of the two would indicate that we need shed no tears and waste no time upon the wrongs or the outrages that may be perpetrated against the owners of vessels because of the fines which have been imposed on vessels which have brought narcotics into this country.

Mr. McKELLAR and Mr. STEIWER addressed the Chair.

The VICE PRESIDENT. Does the Senator from California yield; and if so, to whom?

Mr. JOHNSON. I yield first to the Senator from Tennessee.

Mr. McKELLAR. By what court were those fines imposed?

Mr. JOHNSON. They were imposed under the law by the customs authorities. Applications for adjustments were then made to the Treasury Department by the shipowners who thus were fined, and the result I will present to the Senator. I now yield to the junior Senator from Oregon.

Mr. STEIWER. Am I to understand the Senator from California to say that in the cases which he is about to cite to the Senate the fines were, in fact, imposed upon the ships or upon the shipowners? Is it not true that they were imposed upon the captains?

Mr. JOHNSON. The fines were imposed on the lines or the ships in question.

Mr. STEIWER. Under what law, if I may ask the Senator?

Mr. JOHNSON. I am not perfectly clear as to what particular section, but it was under what is termed "the Miller-Jones Act." Is the junior Senator from Oregon familiar with that act?

Mr. STEIWER. I am, to some extent, familiar with that act, and I am assuming if, under the law, any fine was imposed upon a vessel, it was a common carrier?

Mr. JOHNSON. Let us assume what the Senator pleases in that regard; whether they were imposed upon the vessels or upon individuals or upon the man in control or the captain or anyone else, the fines were imposed. The Senator will recall that his argument was what a dreadful thing it would be if the captain or the owner of a ship 3,000 miles away should be required to make his application to Washington and there be heard concerning that application and the wrong that might be done. I am endeavoring to demonstrate to the Senator that under such circumstances experience has proven that no wrong has been done and that none will be done.

Mr. STEIWER. Mr. President——

The VICE PRESIDENT. Does the Senator from California further yield to the Senator from Oregon?

Mr. JOHNSON. I yield.

Mr. STEIWER. May I state to the Senator that if the fine were, in fact, imposed upon the ship or upon the owner of the ship, there would be force in the Senator's contention, but if, in fact, as I take it to be the truth, the fines were imposed upon an employee—that is, an employee who was not financially responsible—that would account, in fact I think it does account, for the reduction, and a most substantial reduction, in those fines?

Mr. JOHNSON. By no means.

Mr. STEIWER. If I am wrong about that, I should be glad to be set right by the Senator.

Mr. JOHNSON. I am perfectly satisfied that the Senator is in error; that the applications were made to the Treasury Department upon the theory that he has advanced; but they were made because there was a lack of negligence or because the particular individual, the owner or the captain, as the case might be, was innocent, and that, therefore, there should be a remission of the fine.

Let me digress for a moment to refer to a strange case which occurred in the city of San Francisco about 60 days ago. Senators will understand something of the importance of this subject when I tell them the value of what was seized. The vice consul of an oriental country—of China, to give the name—and his wife came into the port, and in some fashion suspicion was aroused. There was a detention of their baggage, which had been permitted to come in under a diplomatic immunity, but when a search ultimately was made by the Federal officers in that baggage was discovered $600,000 worth of opium. On some sort of theory, with which I am not wholly familiar, I think the Department of Justice sent them back to China for trial, but, at any rate, in the baggage which these people had $600,000 worth of opium was found.

The statement table which I have before me shows that on January 10, 1923, from the *President Wilson* 20 bottles of cocaine and 14 tins of opium were taken and a local fine imposed of $2,456. The fine was reduced to $500. Without reading the entire list, I turn to one of the very flagrant cases with which we in the West became familiar, that of the *President Taft*. From that vessel on July 14, 1927, 890 tins of opium were seized and a fine imposed of $146,650. After representations had been made to the appropriate authorities, however, the fine was reduced to $3,000.

The total fines which were imposed during the period of this record amounted to $608,210. The total amount to which the fines were reduced was $15,183. So, in this one port, according to the list which I have, $608,000 worth of fines were imposed, while the total sum to which they were reduced was $15,000. It is not very obvious, therefore, that gross injustice will happen, is it, where fines have been imposed or where they may be imposed in the future?

Furthermore, as I read this bill it subsequently gives the fullest opportunity for appeals by any individual who may be affected and for the righting of any wrong which may be done. I have not read the bill with the particularity which I intend to devote to it, but as I read section 618, entitled "Remission or mitigation of penalties"—and, of course, I would be glad to have the Senator from Pennsylvania or the Senator from Utah correct me if I am wrong—that section specifically provides that if any injustice be done or if any party feel himself aggrieved he may appeal and that appeal will be heard, and justice then will be done. Under this section the Secretary of the Treasury is enabled not only to ascertain the facts but to "issue a commission to any customs agent, collector, judge of the United States Customs Court, or United States commissioner, to take testimony upon such petition." And when that testimony shall have been taken by the official to whom the commission was issued ultimately the fine may be remitted or modified.

Accordingly under these circumstances, sir, I can not see that there is the slightest possibility of any wrong being done to any individual or to the owner of any vessels upon the high seas. I see only in the House provision additional precautions to prevent a growing evil, an evil which must be stamped out at all hazards if the human race is to be preserved. I trust, therefore, that the provision as found in the House bill will be retained.

Mr. JOHNSON subsequently said: Mr. President, as a part of the desultory remarks in which I indulged, I ask unanimous consent to have printed in the RECORD the table to which I adverted.

The VICE PRESIDENT. Without objection, it is so ordered.

The table referred to is as follows:

Customs' narcotics activities summarized—Fines cut from $608,210 to $15,183, record shows

Here is a summary of the activities of the customs offices since January, 1923, in attempting to prevent the smuggling of narcotics into San Francisco.

It shows the date of seizures and arrests, the value of the contraband in the foreign countries from which it came, the fines levied automatically under the Miller-Jones law by local officials and the fines finally paid after "adjustments" by customs officials in Washington.

Date	Ship	Dope seized	Foreign value	Local fine	Fine reduced to—	Arrests	Convictions
Jan. 10, 1923	President Wilson	20 bottles cocaine. 14 tins opium.	$2,456	$2,456	$500	1	1
Jan. 9, 1923	Skiou Maru	50 tins opium	4,512	4,512	2,000	0	0
Jan. 29, 1923	President Taft	131 packages cocaine.	950	950	150	0	0
July 18, 1923	President Pierce	11 jars opium	196	981	250	0	0
Aug. 15, 1923	Taiyo Maru	92 tins opium	3,017	15,088	1,500	0	0
Oct. 3, 1923	Shinyo Maru	124 tins opium	4,067	20,335	2,000	0	0
Oct. 16, 1923	Siberia Maru	136 tins opium	4,460	22,300	1,500	0	0
Nov. 7, 1923	Taiyo Maru	687 tins opium	22,228	111,143	500	0	0
Jan. 3, 1924	President Taft	115 tins opium	755	3,775	100	0	0
July 16, 1924	President Lincoln	753 tins opium	24,700	123,500	500	0	0
Nov. 15, 1924	President Taft	181 tins opium	5,840	29,635	500	0	0
Mar. 14, 1925	President Cleveland.	250 tins opium	8,312	41,562	500	0	0
Do	West Chopaka	119 tins opium	3,956	19,783	500	1	1
May 1, 1925	Korea Maru	388 tins opium	6,210	31,050	100	0	0
July 1, 1925	President Lincoln	197 tins opium	6,565	32,825	1,000	1	0
Aug. 12, 1926	President Taft	2 tins opium	66	333	333	0	0
Dec. 23, 1926	Venezuela	6 tins opium	200	1,000	100	0	0
July 14, 1927	President Taft	890 tins opium	29,330	146,650	3,000	1	1
Sept. 13, 1927	Baltimore Maru	1 tin opium	33	166	150	0	0
Aug. 30, 1928	President Lincoln	do	33	166	(1)	0	0
	Total ships (20)		127,976	608,210	15,183	4	3

[1] Pending.

NOTE.—13 of the above vessels are American, and they carry Chinese crew either in the steward's department or altogether except officers or officials.

The VICE PRESIDENT. The question is on agreeing to the amendment reported by the committee.

Mr. SMOOT. Mr. President, I ask unanimous consent that a vote be taken on the amendment at not later than 12 o'clock on Monday next.

The VICE PRESIDENT. Is there objection?

Mr. HOWELL. Mr. President, I object to that. I suggest to the Senator that he make the hour 1 o'clock.

Mr. SMOOT. We will meet at 11 o'clock on Monday.

Mr. HOWELL. I realize that.

Mr. SMOOT. Very well. Then I will ask unanimous consent that a vote be taken not later than 1 o'clock on Monday next.

The VICE PRESIDENT. Is there objection? The Chair hears none, and it is so ordered.

Mr. McKELLAR. Mr. President——

The VICE PRESIDENT. Does the Senator from Utah yield to the Senator from Tennessee?

Mr. SMOOT. I yield.

Mr. McKELLAR. I want to ask the Senator to have a statement printed in the RECORD.

Mr. SMOOT. Mr. President, several Senators have asked me to have printed in the RECORD a list of commodities with respect to which the President has proclaimed schedules and duties under the provisions of section 315 of the tariff act of 1922. I submit the list, Mr. President, and ask that it may be printed in the RECORD.

Mr. McKELLAR. Mr. President, as I understand, during the seven or more years since the enactment of the last tariff act there have been 37 changes, 32 increases and 5 decreases, made by the President under the flexible provision of the tariff law, as it is commonly known?

Mr. SMOOT. The table shows that to be the fact.

The VICE PRESIDENT. Is there objection to the list being printed in the RECORD?

There being no objection, the list was ordered to be printed in the RECORD, as follows:

UNITED STATES TARIFF COMMISSION,
OFFICE OF THE SECRETARY,
Washington.

List of subjects with respect to which the President has proclaimed changes in duties, under the provisions of section 315 of the tariff act of 1922

Article	Change in duty	Date of proclamation	Effective date of change
Wheat	Increased from 30 cents to 42 cents per bushel of 60 pounds.	Mar. 7, 1924	Apr. 6, 1924
Flour, semolina, etc.	Increased from 78 cents to $1.04 per 100 pounds.		
Mill feeds, bran, etc.	Decreased from 15 per cent to 7½ per cent ad valorem.		
Sodium nitrite	Increased from 3 cents to 4½ cents per pound.	May 6, 1924	June 5, 1924
Barium dioxide	Increased from 4 cents to 6 cents per pound.	May 19, 1924	June 18, 1924

List of subjects with respect to which the President has proclaimed changes in duties, etc.—Continued

Article	Change in duty	Date of proclamation	Effective date of change
Diethylbarbituric acid (veronal).	Increased duty (25 per cent ad valorem) transferred to American selling price	Nov. 14, 1924	Nov. 29, 1924
Oxalic acid	Increased from 4 cents to 6 cents per pound.	Dec. 29, 1924	Jan. 28, 1925
Potassium chlorate	Increased from 1½ cents to 2¼ cents per pound.	Apr. 11, 1925	May 11, 1925
Bobwhite quail	Decreased from 50 to 25 cents each (valued at $5 or less each).	Oct. 3, 1925	Nov. 2, 1925
Taximeters	Increased from $3 each plus 45 per cent ad valorem on foreign value to $3 each plus 27.1 per cent on American selling price.	Dec. 12, 1925	Dec. 27, 1925
Men's sewed straw hats.	Increased from 60 per cent ad valorem to 88 per cent ad valorem on hats valued at $9.50 or less per dozen.	Feb. 12, 1926	Mar. 14, 1926
Butter	Increased from 8 cents to 12 cents per pound.	Mar. 6, 1926	Apr. 5, 1926
Print rollers	Increased from 60 per cent ad valorem to 72 per cent ad valorem.	June 21, 1926	July 21, 1926
Paintbrush handles.	Decreased from 33⅓ per cent ad valorem to 16⅔ per cent ad valorem.	Oct. 14, 1926	Nov. 13, 1926
Methanol (methyl, or wood, alcohol).	Increased from 12 cents to 18 cents a gallon.	Nov. 27, 1926	Dec. 27, 1926
Golf leaf	Increased from 55 cents to 82½ cents per 100 on leaves not exceeding in size 3⅜ by 3⅜ inches, and on larger leaves in proportion.	Feb. 23, 1927	Mar. 25, 1927
Pig iron	Increased from 75 cents to $1.12½ per ton.	----do----	Do.
Emmenthaler type Swiss cheese.	Increased from 5 cents per pound but not less than 25 per cent ad valorem, to 7½ cents per pound, but not less than 37½ per cent ad valorem.	June 8, 1927	July 8, 1927
Cresylic acid	Decreased from 40 per cent ad valorem and 7 cents per pound, based on American selling price to 20 per cent ad valorem and 3½ cents per pound, based on American selling price	July 20, 1927	Aug. 19, 1927
Phenol	Decreased from 40 per cent ad valorem and 7 cents per pound based on American selling price to 20 per cent ad valorem and 3½ cents per pound based on American selling price.	Oct. 31, 1927	Nov. 30, 1927
Crude magnesite	Increased from 5/16 of 1 cent per pound to 15/32 of 1 cent per pound.	Nov. 10, 1927	Dec. 10, 1927
Caustic calcined magnesite.	Increased from 5/8 of 1 cent per pound to 15/16 of 1 cent per pound.		
Cherries, sulphured, or in brine, stemmed or pitted.	Increased from 2 cents to 3 cents per pound.	Dec. 3, 1927	Jan. 2, 1928
Rag rugs, cotton (hit-and-miss type).	Increased duty (35 per cent ad valorem) transferred to American selling price.	Feb. 13, 1928	Feb. 28, 1928
Barium carbonate, precipitated.	Increased from 1 cent to 1½ cents per pound.	Mar. 26, 1928	Apr. 25, 1928
Sodium silico-fluoride.	Increased duty (25 per cent ad-valorem) transferred to American selling price.	Aug. 31, 1928	Sept. 15, 1928
Fluorspar	Increased from $5.60 per ton to $8.40 per ton on fluorspar containing not more than 93 per cent of calcium fluoride.	Oct. 17, 1928	Nov. 16, 1928
Potassium permanganate.	Increased from 4 cents to 6 cents per pound.	Nov. 16, 1928	Dec. 16, 1928
Onions	Increased from 1 cent to 1½ cents per pound.	Dec. 22, 1928	Jan. 21, 1929
Cast polished plate glass, finished or unfinished, and unsilvered.	Increased from 12½ cents to 16 cents per square foot on sizes not exceeding 384 square inches; 15 cents to 19 cents per square foot on sizes above 384 square inches and not exceeding 720 square inches; 17½ cents to 22 cents per square foot on sizes above 720 square inches.	Jan. 17, 1929	Feb. 16, 1929
Peanuts, not shelled and shelled.	Increased from 3 cents to 4¼ cents per pound on peanuts, not shelled; 4 cents to 6 cents per pound on peanuts, shelled.	Jan. 19, 1929	Feb. 18, 1929
Whole eggs, egg yolk, and egg albumen; frozen or otherwise prepared or preserved, and not specially provided for.	Increased from 6 cents to 7½ cents per pound.	Feb. 20, 1929	Mar. 22, 1929
Flaxseed	Increased from 40 cents to 56 cents per bushel of 56 pounds.	May 14, 1929	June 13, 1929
Milk, fresh	Increased from 2½ cents to 3¾ cents per gallon.	----do----	Do.
Cream	Increased from 20 cents to 30 cents per gallon.		

List of subjects with respect to which the President has proclaimed changes in duties, etc.—Continued

Article	Change in duty	Date of proclamation	Effective date of change
Window glass (cylinder, crown, and sheet glass, unpolished).	Increased from 1¼ cents to 1⅞ cents per pound on sizes not exceeding 150 square inches; 1⅜ cents to 2 1/16 cents per pound on sizes above 150 square inches and not exceeding 384 square inches; 1⅝ cents to 2 7/16 cents per pound on sizes above 384 square inches and not exceeding 720 square inches; 1¾ cents to 2⅝ cents per pound on sizes above 720 square inches and not exceeding 864 square inches; 2 cents to 3 cents per pound on sizes above 864 square inches and not exceeding 1,200 square inches; 2¼ cents to 3⅜ cents per pound on sizes above 1,200 square inches and not exceeding 2,400 square inches; 2½ cents to 3¾ cents per pound on sizes above 2,400 square inches.	May 14, 1929	June 13, 1929
Linseed or flaxseed oil.	Increased from 3.3 cents to 3.7 cents per pound.	June 25, 1929	July 25, 1929

RECESS

Mr. SMOOT. I move that the Senate take a recess until 11 o'clock a. m. on Monday next.

The motion was agreed to; and (at 2 o'clock and 30 minutes p. m.) the Senate took a recess, the recess being, under the order previously entered, to Monday, September 23, 1929, at 11 o'clock a. m.

SENATE

MONDAY, *September 23, 1929*

(Legislative day of Monday, September 9, 1929)

The Senate met at 11 o'clock a. m., on the expiration of the recess.

THE JOURNAL

Mr. JONES. Mr. President, I ask unanimous consent that the Journal for the calendar days of September 16 to September 21, inclusive, be approved.

The VICE PRESIDENT. Without objection, it is so ordered.

ARLINGTON MEMORIAL BRIDGE

The VICE PRESIDENT laid before the Senate a communication from the executive and disbursing officer of the Arlington Memorial Bridge Commission, reporting on the operations of the commission for the month of August, 1929, which was ordered to lie on the table.

CORN, CANNED TOMATOES, AND TOMATO PASTE

The VICE PRESIDENT laid before the Senate a communication from the chairman of the United States Tariff Commission (in further response to Senate Resolution 60, of May 16, 1929, relative to sugar and other production costs), transmitting copies of reports of the commission on corn or maize and canned tomatoes and tomato paste, which, with the accompanying papers, was ordered to lie on the table.

CALL OF THE ROLL

Mr. JONES. Mr. President, I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Allen	Fletcher	Kean	Schall
Ashurst	Frazier	Kendrick	Sheppard
Barkley	George	Keyes	Shortridge
Black	Gillett	La Follette	Simmons
Blaine	Glass	McKellar	Smoot
Blease	Glenn	McMaster	Steck
Borah	Goff	McNary	Steiwer
Bratton	Goldsborough	Metcalf	Swanson
Brock	Gould	Norris	Thomas, Idaho
Brookhart	Greene	Nye	Thomas, Okla.
Broussard	Hale	Oddie	Trammell
Capper	Harris	Overman	Tydings
Caraway	Harrison	Patterson	Vandenberg
Connally	Hastings	Phipps	Wagner
Couzens	Hawes	Pine	Walsh, Mass.
Cutting	Hayden	Pittman	Walsh, Mont.
Dale	Hebert	Ransdell	Warren
Deneen	Heflin	Reed	Waterman
Dill	Howell	Robinson, Ark.	Watson
Edge	Johnson	Robinson, Ind.	Wheeler
Fess	Jones	Sackett	